

Good to Great

#bookreads

#goodtogreat

Chapter 1:

- The author is talking about how **\$1 invested in good-great companies in 1965 turned into \$471 instead of \$56 in the index.**
- He also talks about the rise of Walgreens, how an ordinary company until 1975 became an extraordinary company.
- The research team fundamentally focuses on what made the research companies **good to great considering** their competitors into consideration, **Instead of just studying the common patterns with them.**
- Over 21 people contributed to the research project, **4-6 people being full-time**, and the research has spawned **for over 10.5 years.**
- The research team took the companies that were consistently beating the market **at least three times in the fifteen-year term.**
- It was found that companies who had **in-house CEOs** performed better than the companies who brought the **outside CEO which comparison companies did almost 6 times.**
- The good to great companies not only focussed on **what to do but also focussed on what not to do.**
- Technology is an **accelerator of a transformation** but it's not the **transformation.**
- **The level 5 leaders (good- great leaders) seem to come from Mars, they are shy very self-humility, and efficient leaders, they are more like Socrates and Lincoln.**
- First, get the **right people on the bus** and, the **wrong people off the bus**, ensure the **right people** are in the **right seats**, and then decide the **direction** of the bus.
- All the **level 5 leaders** have **unwavering faith in themselves** and the **companies** they are **leading.**

- You have to be the best in your core business, you aren't necessarily the best if you have been doing the business for years and decades.
(hedgehog concept)

Chapter 2:

- Darwin Smith became the CEO of Kimberly Clark, at the time he took charge as the CEO everybody had their own set of questions, and Kimberly Clark performed 36% down the general market from the last two years before his CEO period. But during his stewardship, he beat the market by 4.1 times.
- Despite his track record, he is very little known to the world of business, maybe he liked that way, once asked by a journalist, about his leadership, he quoted that a ranch boy wearing his first bought Jc penny suit sitting in a nice and comfy chair.
- The book coins level 5 leadership to credit the best leader, one pattern they observed throughout the research is that, **seems like all level 5 leaders are cut from the same cloth.**
- People who mistook President Lincoln Shy, modesty, humble, and modesty as his weakness, understood the answers when they got beaten up.
- On Darwin Smith (Kimberly Clarke):
 - Clark is a very humble and modest person, who grew up in Indiana, with a poor background, worked during the day, and went to school at night.
 - One day during his day job he lost his **partial finger** and he didn't miss that Night's class and the **next day's work.**
 - Two months after he took up as **CEO**, he was diagnosed with **throat and nose cancer** but that didn't stop his work as **CEO** while taking trips from **Wisconsin to Houston for radiation treatment**, and **he continued as a CEO for the next 25 years.**
 - In **retirement**, **Smith** mentioned I never stopped trying to be qualified for the **CEO** role.
- On Gillette CEO Mocker
 - Gillette CEO Mocker, how he **declined** the offer from a competitor **which made an instant profit of 44% to all the shareholders**, and decided to

go with his strategy of counting on his R&D of sensors and Mach3 razors which **decreased the pain and stubble of general customers** and made the company stood great along with the very good promising returns than the initial buyback offer.

- **ON Fannie Mae CEO David Maxwell**

- David Maxwell when he became the CEO of Fannie Mae, the company **was losing \$1m dollar every business day** and he transformed that into a profit of **gaining \$4m every business day**.
- During his retirement to avoid some controversy, he decided not to take **\$5.5 million of his money** and donated to some **Fannie Mae Housing Charity**.
- All these **level 5 leaders** set the **company's Ambitions First** than their riches and ambitions. They would **do almost anything to make the company great**.
- **Level 5 leaders** want to see the company even more successful in the next **generation**.

- **On Rubber maid CEO Gault:**

- He makes a **great level 4 leader** but not **level 5** as he failed the vision to identify a next good successor and was partially responsible for the breakdown of the company.
- This guy is shouldering 4 other jobs while he is searching for his successor.

- **Level 4 leaders.**

- The team also presents the use case of **Scott Paper CEO** who calls himself **RAMBO** on how he **sold the company and how he put the company growth on steroids instead of organic**, cutting **R&D budgets** and **slashing the workforce**.
- similarly also about Chrysler CEO Lacoca how he was responsible for the **company's growth during the first half of the tenure** how he **spoiled** the company in the **second half of the tenure** by promoting himself rather than the company, and how he **postponed his retirement multiple times**, and how he asked **private Jet and other CEO perks even after retirement**. He was partially responsible for the **sale of Chrysler to Daimler Benz of Germany**.

- **George Cain of Abbott :**

- George Cain who became the CEO of Abbott Labs how he **cut down nepotism** and made a **clear culture** that if you are not **performing your job**, you gonna lose your **paycheck** and ensured that **no mediocrity** is allowed within the company, although a couple of **Thanks Giving dinners are hard to manage**, (Hey you are **fired**, do you need one more slice of **Turkey?**)
- **On Level 5 leaders.**
 - **All these level 5 leaders showed a compelling modesty, they were very shy, reserved, and always credited the team.**
 - Similarly, cork from Walgreens decided to get out of the business of food and turn it into the Drugstore business.
 - The CEO of Circuit City who coined the term plow horse also made a significant difference from his competitors and stood out from the crowd.
 - A similar thing with the Nucor CEO when competitors are blaming imports, this guy built the successful company by taking care of his management style.
 - Joe Cullman of Philip Morris is also a significant 5-star leader
 - Level 5 leaders look outside of their window to transfer credit in case they run out of the names they pass the credit to luck.

Professional Will	Personal Will
Creates a superb results, a clear catalyst in the transition from good to great	Demonstrates compelling modesty, shunning public adulation, never boastful.
Demonstrates an unwavering resolve to do whatever to do and 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 the even greater success in the next generation.

<p>Looks in the mirror, not out the window, to apportion responsibility for poor results, never blaming other people, external factors, bad luck</p>	<p>Looks out of the window, not in the mirror, to give credit for the success of the company-to other people, external factors and good luck.</p>
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- If you want to look for level 5 leaders,
 - Look for the situations, where extra-ordinary results exist but where no individual steps forth to claim excess credit.

Chapter3:

- The one surprising aspect when the book research began is :
- Most of the good-great leaders,
 - They first got the right people on the bus, the wrong people off the bus, and the right people got the right seats, and then figured out where to drive it.
- The three simple aspects are:
- First, if you are being with who rather than what.
 - ◆ Because, if people join the bus, because of where it is going, what happens if you get ten miles down the road and you need to change direction?
 - ◆ If you have the right people on the bus, who they are, It is very easy to take successful directions.
 - The people management and motivation also go way minimal, because we ensured that we got the right people as much as we can.
- **Wells Fargo use case:**
 - In 1983, when the banks underwent bank deregulation:
 - ◆ Most of the banks fell below the stock market by 59%.

- ◆ But Wells Fargo beats the market by three times.
- How?
 - ◆ Then CEO Dick Colley began building the foundation required from 1970,
 - ◆ He and then chairman,
 - ◊ **Started Injecting an endless stream of talent into the bank.**
 - ◊ They took care of the irregularities when the bank collapse happened.
 - ◊ **Most of the executives who joined the Colley era, almost every person had gone on to become CEO of a major company.**

- **Fannie Mae use-case:**

- When David Maxwell took over as CEO of Fannie Mae, the company lost nearly **\$1 million every single business day.**
- `He made it clear to all the officers that only the seats are reserved who were willing to put A+ effort.
- With his approach, **14 of the 26 executives and they got replaced by the smartest, hard-working, and best in the world of finance.**
- He made sure to replicate the same strategy over the entire company.

- **Walgreens vs Eckerd**

- Eckerd Corporation CEO Jack Eckerd is known for his business moves and incredible personal energy, he is very well known for his excellent business strategies,
- On the contrary, the competitor Walgreens CEO is well known for picking the right set of people.
- When Jack Eckerd left the CEO post to run for senator, in the government, the company struggled to make the moves without the genius and eventually got acquired by J.C.Penney.

- Similar use-case with the CEO of Teledyne Henry Singleton.

- **How compensation matters:**

- ◆ Compensation is one of the variables, but from the research, they found that it is not the driving force in making the executives build good-great.
- **Your compensation and incentives are important but for very different reasons in good companies. The purpose of a compensation system should not be to get the right behaviors from the wrong people, but to get the right people on the bus in the first place and to keep them there.**

- One thing you have to understand is,

- ◆ **Once you have good people they won't settle for anything less than excellent.**
- ◆ Their moral code requires building excellence for its own sake, and you are no more likely to change that with a compensation package than you are likely to affect whether they breathe.

- **The best example is Nucor:**

- Nucor built its entire system on the idea **you can teach farmers** how to make steel, but you can't **teach a farmer's work ethic to people who don't have it in the first place.**

- **Nucor's principle:**

- **We hire five, work them like ten, and pay them eight.**

- How do you determine the right people:

- The good-great companies placed greater weight on character attributes than on specific educational backgrounds, practical skills, and specialized knowledge.
- Not that specific knowledge or skills are unimportant, but they are viewed as more teachable.

- **Be rigorous, not ruthless:**

- One good company executive mentioned that he hired a manager not because of technical skills or experience but because:
 - He was able to escape twice when he was caught during the world war 2.
- The only way to deliver people who are achieving is not to burden them with the people who are not achieving.
- Great companies used the term layoff attest 5 times less than the comparison companies used the same term.
- **How to be rigorous:**
 - **Practical Discipline #1:**
 - ◆ When In Doubt, don't Hire, Keep Looking.
 - **Practical Discipline #2 :**
 - ◆ **When you know you need to make a people change, act.**
 - ◊ The moment you feel the need to tightly manage someone, you have made a hiring mistake.
 - ◊ The best people don't need to be managed. Guided, Taught-led, Yes.
- When we know **we have the wrong person on the bus**, and we **know it**
 - Yet we wait, we delay, we try alternatives, we give a third and fourth chance, and we hope the situation will improve but one fair thing to remember:
 - **Letting the wrong people hang around is unfair to all the right people.**
 - **In the worst case, it can drive away the best.**
 - For every minute you allow a person to continue holding a seat when you know that person will not make it in the end, you are stealing a portion of his life, time he could spend finding a better place where he could flourish.
- The good-great leaders didn't pursue an expedient "try a lot of people and keep who works" model of management. Instead, they adopted the following

approach.

- ◊ Let's make the time to make rigorous A+ selections right up front.
- The good-great leaders wouldn't rush to judgment.
- Often they invested substantial effort in determining whether they had someone in the wrong seat before concluding that they had the wrong person on the bus entirely.
- Example: **When Colman Mocker, became CEO of Gillette**, he spent fully 55 percent of his time, during his first two years in office, jiggering around with the management team, changing or moving third eight off the top fifty people.
- If you find an honest and hardworking person instead of letting them go when they are not performing in the current position, it is worth giving a try in different positions, and seeing how it goes.
- But how do you know, when you know?
- **Two key questions can help:**
 - Would you hire the person again?
 - Second, if the person came to tell you that he or she is leaving to pursue an exciting new opportunity, would you feel terribly disappointed or secretly relieved?
- **Practical Discipline #3.**
 - **Put your best people on your biggest opportunities, not your biggest problems.**
 - Whatever the fights, debates..etc take place the organization should make sure that there are better decisions in the company, not for individual interests.
 - **Is it possible to build a great company and a great personal life as well?**
 - One example is with the Gillette CEO Colman Mocker:
 - ◊ Family
 - Even during the darkest times of Gillette, Mocker made sure that his three main life priorities were taken care of nicely and well.

- ◊ Work
 - ◊ Harvard governing board work.
- George Weissman of Philip Morris coined works as,
 - Other than marriage it was the passionate love affair of my life.
- One thing to remains true is that members of the good-great teams tended to become and remain friends for life.
- The old adage **“People are your important asset”** is wrong.
 - **Just tweak the sentence with the right people.**

Chapter 4:

- In the first half of the chapter, the author draws the finest comparison possible between **A&P stores and now Kroger**.
- Both the stores are old enough, **around 111 years and 82 years at the time of comparison**.
- How **Kroger** adopted the **new strategy** of the new liking of Americans, that they wanted **nice stores, super stores**, and they are happy to spend extra dollars and they came out the **mindset of wanting lower prices which was developed during the times of depression and world wars**.
- Kroger quickly adapted the principles and changed its strategy to every store possible and captured the market, whereas A&P remained one of the greatest American companies.
- The **good to great companies** just ensured the number of **good decisions outweighed their bad decisions**.
 - It's not they made all the good decisions to become a great company.
- **How do these great make good decisions:**
 - They start the process with the **brutal facts of reality**.
 - The honest and diligent effort to determine the truth of the situation.
- There is nothing wrong with pursuing a vision for greatness. After all the good-great companies also set out to create greatness. But unlike the comparison

companies, **the good-great companies continually refined the path to greatness with the brutal facts of reality.**

- The company Pitney Bowes created a long-standing tradition of Forums, where people could stand up and tell senior executives what the company was doing wrong, shoving rocks with squiggly things in their faces, and saying, Look! You'd better pay attention to this.

Climate Creations:

- **Lead with questions, not answers.**
 - Yes, leadership is about Vision, but **leadership is equally about** creating a climate where the **truth is heard** and the brutal facts confronted. **There is a huge difference between the opportunity to "have your say" and the opportunity to be heard.**
 - The good-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.
- Maybe informal meetings with your crew might help you to make the best of the conversations on the reality checks, **maybe some of the questions are**
 - ◆ So what's on your mind?
 - ◆ Can you tell me about that?
 - ◆ Can you help me understand?
- Leading From good doesn't mean coming up with the answers and then motivating everyone to follow your messianic vision.
 - It means having the humility to gasp the fact that you do not yet understand enough to have answers and then to ask the questions that will lead to the best possible insights.
- **Engage in dialogue and debate, not coercion.**
- **Do you know How Nucor an Awful company in 1964 became one of the leading companies by the 1990's?**
 - **Because of constant debates and staying there for hours and hours together to iron out the issues,**

- At times there were meetings where people went across the table at each other...People used to Yell.
 - Faces would get red and veins bulged out.
- All good-great companies had a penchant for intense dialogue,
 - Phrases like loud debate, heated discussions, and healthy conflicts.

- **Conduct autopsies without blame.**

- One example is how Philip Morris accepted the fact of how bad of an acquisition 7 UP was, and how brutally the CEO Joe Cullman pointed fingers at him rather than pointing fingers out at anybody.
 - 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 rarely need to assign blame but need only to search for understanding and learning.

- **Build red-flag Mechanisms:**

- Professor Jim Collins when taking a Class at the Stanford School of Business, used to give red flags to the class and used to ask students to use it as a Complete stop mechanism for the whole class, and he also specified that each student can use that only once during the semester.
 - ◆ It helped him to quickly recover from his mistakes which he usually gets to know only during the end of the semester results.

- Mechanism of short pay:

- Bruce Wool-pert, from Graniterock, decided that he would give his customers an option that customers can only pay the amount they are satisfied with.

Unwavering Faith Amid Brutal Facts:

- In confronting brutal facts, the good-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 truth and saying, "We will never give up. We will never capture late" It might take a long

time, but we will find a way to prevail.

Stockdale Paradox:

- All the companies, FannieMae, Gillette, Nucor, Wells Fargo, and Pitney Bowes, Kroger have used the challenges to make themselves great.
- The name refers to Admiral Jim Stockade, who was the 4th highest-ranking United States Military officer in the Hanoi-Hilton Prisoner of War camp during the height of the Vietnam War.
- Tortured over twenty times during his eight-year imprisonment from 1965 to 1973.

Chapter 5:

The hedge Hog concept:

- Are you a hedgehog or a fox?
- Author's Hedge Hog Concept:
 - **Those who build good companies use their hedgehog nature to drive toward what we came to call a hedgehog concept for their companies.**
 - Those who led the comparison companies tended to be foxes, never gaining the clarifying advantage of a hedgehog concept being instead scattered, diffused, and inconsistent.
- The author explained the success story of **Walgreens**, how it has grown the simple **hedgehog concept of simple convenient stores** around the corners,
 - **And how it beat the comparison companies Ecker during the process of Winning.**
- It doesn't mean the comparison companies don't have the strategies but one **common pattern among the great companies are**
- **Their ideas are simple but effective.**
 - ◊ In Walgreens --> Convenient drug stores.
 - ◊ In Kimberly Clark —> Consumer paper goods.
 - ◊ Kroger —> Superstore concept/

- **HEDGE HOG CONCEPT IN THREE SIMPLE TERMS:**

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

- **Abbott vs Upjohn use case:**

- The Abbott versus Upjohn use case highlights the difference between a core business and a **hedgehog concept**.
- Just because something is your **core business** because you have been doing it for years or perhaps even decades does not necessarily mean that 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**.
- **Don't think that the hedgehog concept** will be revealed in a few **meetings and brainstorming sessions**, it will take time to understand the deeper understanding of the hedge concept of your business.
- It took **Einstein ten years** of groping through the fog to get the ether of special relativity and **he was a bright guy**.
- It took about four years on average for the good-great companies to clarify their hedgehog concepts.

Chapter 6:

Culture of discipline:

- Talks about how George Rothman introduced the culture of the discipline into his newly formed company Amgen and how the company built its empire of \$3.2 Billion with around 6400 employees.
- He also explained how companies get the chaos and lose the spirit of entrepreneurship while growing and how hierarchy and bureaucracy take over, which becomes a bottleneck to its own growth.
- Most companies build their bureaucracy to manage the small percentage of wrong people on the bus, which in turn drives away the right people on the bus, which in turn increases the percentage of wrong people on the bus.

- Ratmann did the opposite by avoiding **bureaucracy and hierarchy** and instead, created a **culture of discipline**, which he brought to his company from his previous company Abbott.
- Talks about the Abbott financial officer back then, and how he was instrumental in creating a **new framework of Accounting called responsibility**.
- The idea, radical for the 1960 was to create a system wherein every Abbott manager in every type was responsible for his or her return on investment.
- The main points:
 - ◆ Build a culture around the idea of freedom and responsibility, within a framework. **Similar to how a pilot operates the plane within his boundaries.**
 - ◆ Fill the culture with **self-disciplined people, who are willing to go to extreme lengths to fulfill their responsibilities**. They will rinse their cottage cheese.
 - ◆ Don't confuse a culture of discipline with a tyrannical disciplinarian.
- Adhere with great consistency to the HedgeHog concept, exercising an almost religious focus on the intersection of three circles. Equally important create a stop-doing list and systematically unplug anything extraneous.
- Explanation of an example of a pilot how he adheres to strict laws of Aeroplane within the boundary with the freedom to choose the landing and taking off and making individual decisions when necessary.
- **Origin of the word: Cottage Cheese:**
- **Dave Scott**, who won the Hawaii Iron Man Triathlon six times:
- **Scott Day-Day ride:**
 - ◊ **75 miles** of bike ride.
 - ◊ **Run 17 miles** on average.
 - ◊ He used to believe in a low-fat high-carb diet, which he used to believe would give an extra edge.

- **He used to rinse his cottage cheese even though he used to burn 5000 calories a day.**
 - Much of the answer to the good-great lies in the discipline to do whatever it takes to become the best within carefully selected arenas and then to seek continual improvement from there.
- The author explains how Wells Fargo rinsed their cottage cheese, during the banking regulation period.
- He(the CEO) started from the executives.
 - ◊ **He froze executive salaries for two years**
 - ◊ He **shut the executive dining room** and replaced it with a **college dorm food service caterer**.
 - ◊ He closed the **executive elevator**, sold the **corporate jets**, and **banned green plants from the executive suite as too expensive to water**.
 - ◊ He removed **free coffee from the executive suite**.
- He eliminated Christmas trees for management.
- There is a difference between Level 5 leaders who built an enduring culture of discipline and Level 4 leaders who are self-disciplined.
- There is also a use case discussion on Chrysler's then CEO Lacobca, on how he saved the company in his first half of the tenure and how he brought the company back to its original with his change of mindset.
- A similar use case is how Pitney Bowes enjoyed the legacy of monopoly during its first half how it struggled when it had to license its patents to competitors and how level 5 leader **Fred Allen saved the company with his pivot**.
- Nucor's huge success is due to the fact, that its ability to translate its simple concept into disciplined action is consistent with that concept.
 - ◆ **Executives didn't receive better benefits than front-line workers, in fact even fewer perks.**

- ◆ A woman told her husband, that if he loses the job at Nucor, she will divorce him.
 - ◆ When there are difficult times, the top rank officials take the bigger pay cut, the CEO payout was slashed by 75%, officers by 60% and workers by 25%
- On the other hand, the competitor Bethlehem Steel went on exactly, the opposite, of what Nucor did, building a culture of fancy offices, private jets, and golf courses.
- 1 dollar invested in Nucor beat \$ 1 invested in Bethlehem by 200 times.
- **Follow the anti-pattern of building stop-do lists along with to-do lists.**
- In a good-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.
- These should be remembered as they have been considered as one of the best transformations:
 - ◆ Abbott's commitment to growing in the **diagnostic industry**, despite they started as a drug manufacturing industry.
 - ◆ How Walgreens exited the profitable food service business and focused all its might on one idea, the best, most convenient drug stores.
 - ◆ **Recall Gillette and Sensor.**
 - ◆ Nucor and the mini-mills
- Kimberly transitioned from a Paper company to a consumer company.

Chapter 7:

- The book explains how [drugstore.com](#) went public how it got crazy evaluation,

how people took a dig at its competition, and how Walgreens lost its market in the short term.

- It also explains how Walgreens made a leap back into the market, with its carefully evaluated methodologies and making sure that how they can enhance the new technology, to make their business better and bigger.
 - There are a lot of technologies that came and stayed in the market, It happened with the invention of TV, the radio, and electricity, the matter lies in the fact of how carefully you fit that into your business and make it sustainable.
 - From the very first, Walgreens adopted the technology way before the dot com bubble, when it invested \$400m in intercom technology, as Walgreens executive says, Crawl, walk and run.
 - When used right, technology becomes an accelerator of the momentum, not a creator of it.
 - The research team was quite surprised that fully 80 percent of the good-great executives they interviewed didn't even mention technology as one of the top five factors in transition.
 - Furthermore, in the cases where they did even mention technology, it had a median ranking of fourth, with only two execs of 84 interviewed ranking it number one.
 - The evidence from the study doesn't support the idea that technological change plays the principal role in the decline of once-great companies. Certainly, technology is important- you can't remain a laggard and hope to be great. But technology by itself is never a primary cause of either greatness or decline.
- **Note: In the year 2011, drugstore.com is acquired by Walgreens.**

Chapter 8:

- Build-up phase/flywheel
 - Level 5 leadership.
 - First who then what

- Confront the brutal facts
 - Hedgehog concept
 - Culture of discipline
 - Technology Accelerators.
- **It's not overnight that you achieve a breakthrough, it is years of work and strategy.**
- For Nucor, it took 10 years, for Gillette maybe 5 years, for Fannie Mae only 2 years.
- When executives are asked questions about **what made their company great**, they don't have an answer, because it is a process of **building up things over time making sure the necessary items are maintained with consistency**.
- How do you handle the short-term pressures and circumstances when you are pursuing the long-term goals, like how Wells Fargo handles de-regularization is a craft that great companies have.
- When you are going through a big transformation, start the flywheel with the people who believe in the flywheel, **let the initial results build up, then it will become easy for the rest of the company to follow the pattern.**
 - Let people see the confidence from success not just through words
 - This is how Kroger successfully from a tiny little grocery store to a successful and fancy superstore.
- The Doom Loop:
 - The author explains the example of Warner-Lambert how they have the CEOs over the course of years and how each new CEO prioritized his own strategy and got rid of investments and work, the previous CEO did.
- Doom Loop:
 - Disappointing results
 - Reaction, without understanding.

- New Direction, program, leader, event, FAD or acquisition.
- No Buildup: No accumulated momentum.
- Misguided use of Acquisitions:
 - When you make an acquisition when your momentum is not established or strong, then it might become a blocker to become a great company.
- Leaders who stop the fly wheel:
 - The author explains how Harris's CEO divested in the core business of paper printing.

HOW TO TELL IF YOU'RE ON THE FLYWHEEL OR IN THE DOOM LOOP

Signs That You're on the Flywheel (Good-to-Great Companies)

Follow a pattern of buildup leading 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.

Confront the brutal facts to see clearly what steps *must* be taken to build momentum.

Attain *consistency* with a clear Hedgehog Concept, resolutely staying within the three circles.

Follow the pattern of disciplined people ("first who"), disciplined thought, disciplined action.

Harness appropriate technologies to your Hedgehog Concept, to accelerate momentum.

Make major acquisitions *after* breakthrough (if at all) to accelerate momentum.

Spend little energy trying to motivate or align people; the momentum of the flywheel is infectious.

Signs That You're in the Doom Loop (Comparison Companies)

Skip buildup and jump right to breakthrough.

Implement big programs, radical change efforts, dramatic revolutions; chronic restructuring—always looking for a miracle moment or new savior.

Embrace fads and engage in management hoopla, rather than confront the brutal facts.

Demonstrate chronic *inconsistency*—lurching back and forth and straying far outside the three circles.

Jump right to action, without disciplined thought and without first getting the right people on the bus.

Run about like Chicken Little in reaction to technology change, fearful of being left behind.

Make major acquisitions *before* breakthrough, in a doomed attempt to *create* momentum.

Spend a lot of energy trying to align and motivate people, rallying them around new visions.

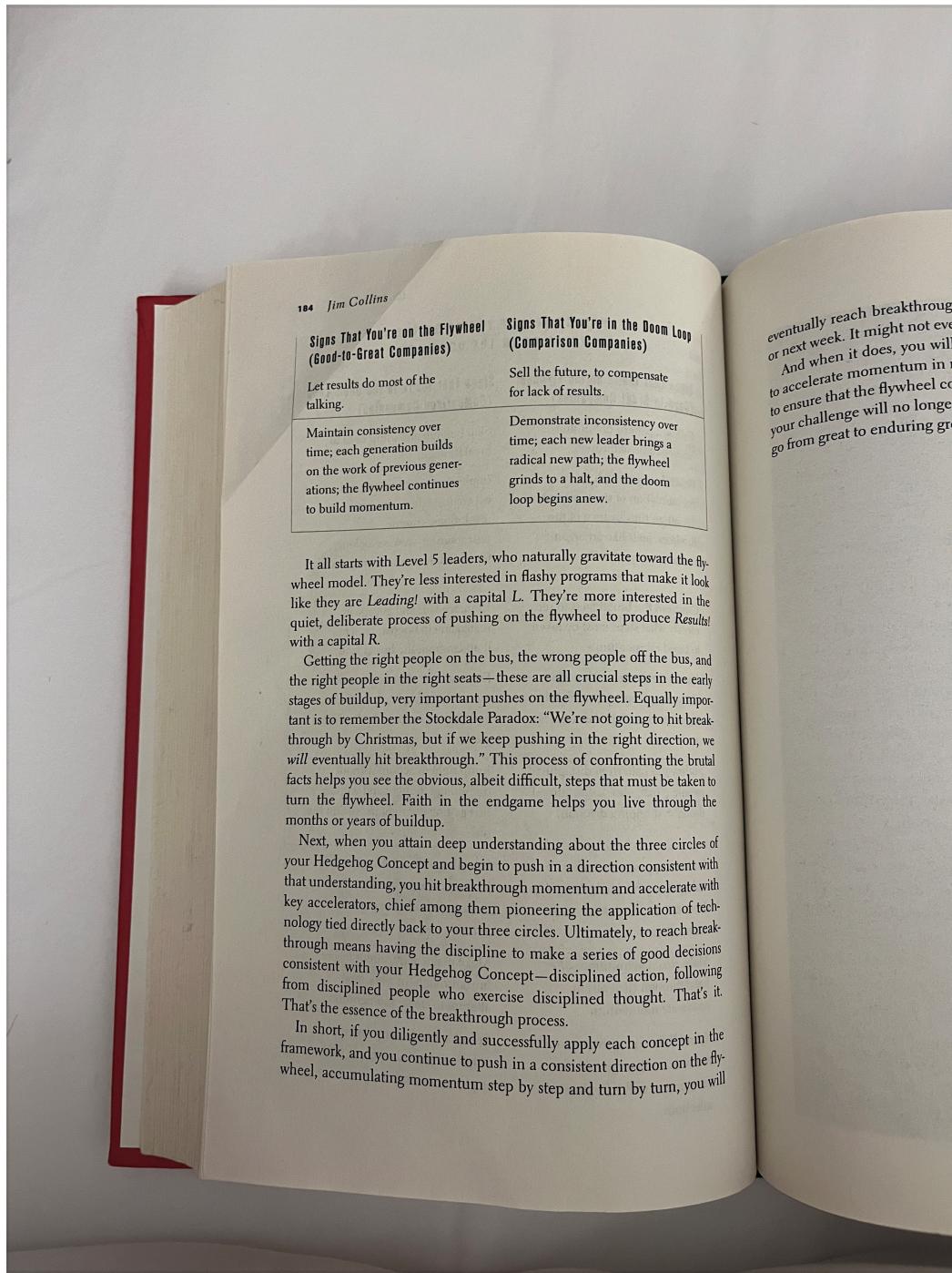
In the low-end word "Boyd targeted the market, the company had design and market a product out of tune with the

momentum after it had entered into the air, and to the end of 1978, from the end of 1978 market, and by 1988 P replaced the fly-

ND IDEA

the one word that offered to me by one plus one?" he have been talking of one factor upon P but think of the basic idea is the parts of the system to than the sum of the multiple genera-

and description of tern. (See the table framework, we see and each compo-

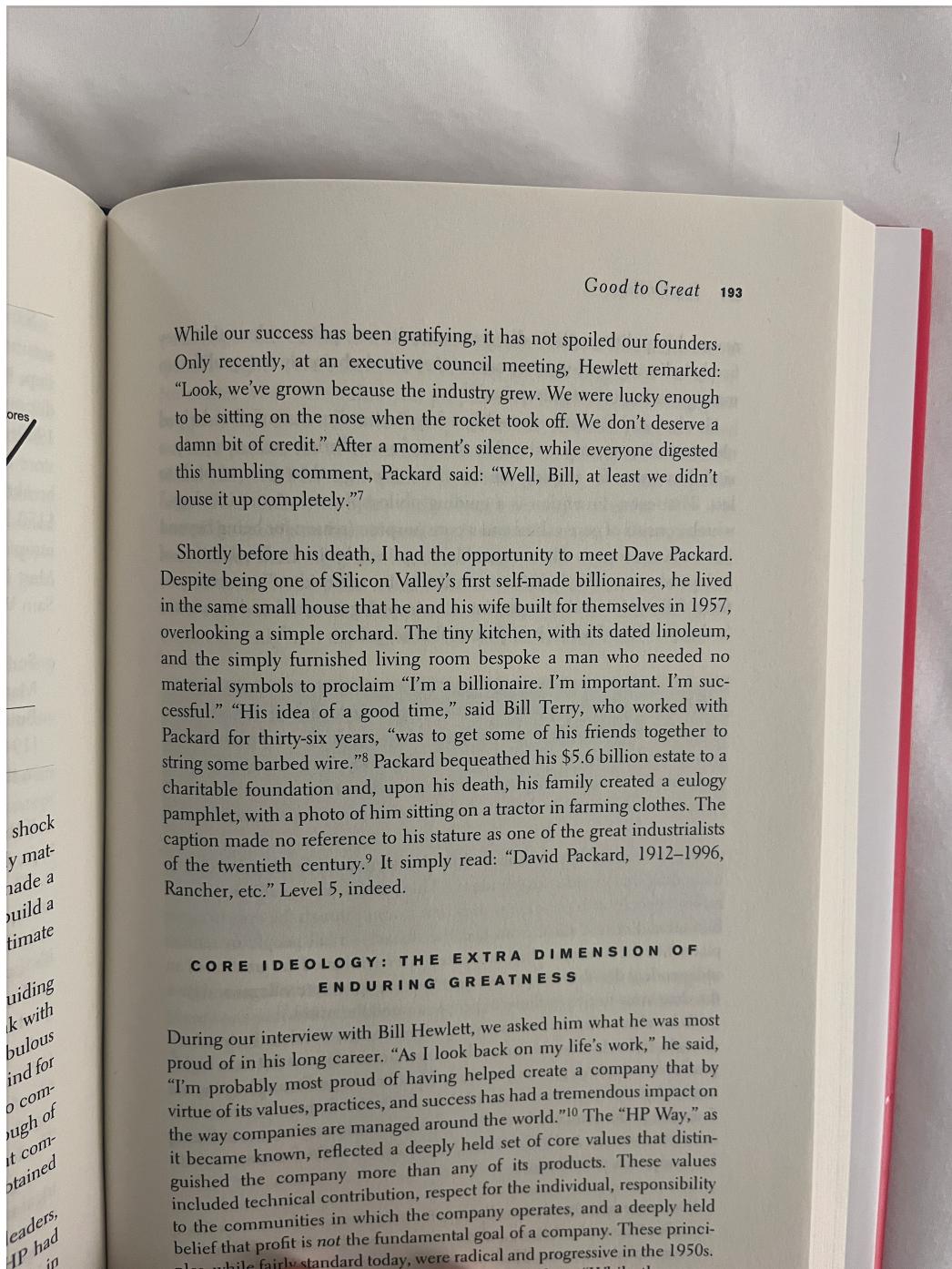


- We are not going to hit a breakthrough by Christmas, but if we keep pushing in the right direction, we will eventually hit a breakthrough.

Chapter 9:

- The author mentions Good to Great is a prequel to Built to Great (the Author's previous book).
- In that book, the Author gives his perspective from very old companies like **GE, J&J, Sony, and Walmart. etc**
- Discover core values and purpose with the dynamic of preserving the core/stimulating progress.
- **In the example of Walmart:**
 - Sam Walton didn't open the **second store** until 7 years after his first store.
 - Walton built incrementally, step by step, turn by turn off the flywheel until the hedgehog concept of **large discount marts** popped out as a **natural evolutionary step in the process**.
 - It took Walton 25 years to expand to 38 years.
 - **From 1978 to 2000, Walmart hit breakthrough momentum and exploded to over 3000 stores with \$150 bn in revenue.**
- **HP(The founders will be remembered a long way)**
 - Hewlett and Packard are best friends in graduate school and want to build a great company.
 - During the **first meeting** they mentioned that they manufacture and design in **electrical engineering**, **The question of what to manufacture was postponed.**
 - They stumbled around for a month to get the company out of the garage.
 - ◆ They considered Yacht transmitters, AC control devices, medical devices, amplifiers..etc
 - ◆ **But one thing in common is they got all the like-minded people together.**
 - ◆ **They got all the right people and then decided What.**
 - ◆ Both Hewlett and Packard are level 5 leaders and great company builders.

- Hewlett maintained a remarkable personal humility.
- Here's my fav snippet



- 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.

- How Merck distributed free vaccines to the people in the Amazon forest for river blindness despite it not being a Charity org. Merck does not view its ultimate reason for being as making money.

- **Note from George Merck:**

- We try to remember that **medicine is for patients**, it is not for **profits**. The profits follow, and if we have remembered that, they have never failed to appear, **the better we have remembered it, the larger they have been**.
- There are no specific core right values. They're just required, it doesn't seem to matter what those are.
- For example:
 - **Sony** doesn't have a **passion for customers**.
 - **Walmart** didn't care about **quality**.
 - **Disney** didn't care for the **respect of the individual**.
 - **Ford** didn't care about **social responsibility**.
- **Finally, core values are essential for enduring greatness, but it doesn't seem to matter what those core values are.**
- Enduring great companies preserve their core values and purpose, while their business strategies and operating practices endlessly adapt to a changing world.
- The author explained the process, of **how a cross-country running club of a school went from good to great**.
 - When the head coach took over the program, she found **herself burdened with expectations to do fun programs** and rah-rah stuff to motivate the kids and keep them interested -parties and special tips, shopping adventures to Nike outlets, and inspirational speeches.
 - She quickly put an end to nearly all that distracting activity.
 - **Look she said this program will be built on the idea that running is fun, racing is fun, improving is fun, and winning is fun.**

- If you are not passionate about what we do here, then go find something else to do. The result, The number of kids in the program nearly tripled in five years, from thirty to eighty-two.
 - Turning good to great takes energy, but the building of momentum adds more energy back into the pool than it takes out.
- When did the author ask the head coach of the cross-country running program, why she felt compelled to make it great?
 - ◆ After a long pause, It was because I really care about what we are doing, I believe in running and the impact it can make on these kid's lives.
 - ◆ I want them to have a great experience and to have the experience of being part of something absolutely first-class.
- Now the interesting twist is:
 - ◆ The coach has an MBA from an elite business school.
 - ◆ Phi Beta Kappa Graduate in economics, having won the prize for best undergraduate honors thesis at one of the most selective universities in the world.
 - ◆ Although she can work as an investment banker, and consultant in the software industry, she made the decision to search for meaningful work, about which she would have such passion that the question, why try for greatness, would almost seem tautological.
- If you are 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. It's just a given.
- If building a business is not a part of your quest to build something great.
- If not in corporate life:
 - ◆ **Then perhaps in making your church great.**
 - ◆ **Perhaps a nonprofit or a community organization or a class you teach.**

- Get involved in something that you care so much about that you want to make it **the greatest it can possibly be, not because of what you will get, but just because it can be done.**
- 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 question, "Why should we try to make it great? Isn't success enough? Then you are probably engaged in the wrong line of work.

When all the pieces come together, not only does your work move toward greatness, but so does your life. In the end, it is impossible to have a great life unless it is a meaningful life. And it is very difficult to have a meaningful life without meaningful work. Perhaps then you might gain a rare tranquility that comes from knowing that you have had a hand in creating something of intrinsic excellence that makes a contribution. Indeed, you might even gain that deepest of all satisfactions: knowing that your short time here on this earth has been well spent and that it mattered.