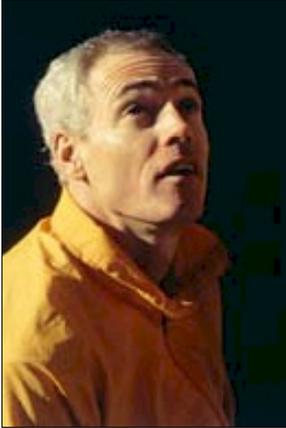


An interview with Jim Collins

Interview by Sarah Powell



Jim Collins jettisoned a traditional academic career at Stanford's Graduate School of Business – where he received the Distinguished Teaching Award – to pursue his research interests, founding his own management research laboratory in his hometown of Boulder, Colorado. He combines his research activities with a busy schedule teaching executives in the private, public and social sectors.

Jim has devoted more than a decade of research to studying enduring great companies – how they grow, how they attain superior performance, and how good companies can become great companies – during which time he has authored or co-authored four books including *Built to Last: Successful Habits of Visionary Companies*, co-authored with Jerry I. Porras. *Built to Last* was a fixture on the *Business Week* bestseller list for more than six years. *Good to Great: Why Some Companies Make the Leap...and Others Don't* was a *New York Times* bestseller.

Collins's work has been featured in *Fortune*, *The Economist*, *Fast Company*, *USA Today*, *Industry Week*, *Business Week*, *Newsweek*, and *Harvard Business Review*.

Your book *Good to Great* proposes some unexpected answers to the question: What makes a company great? What do you consider to be the most important aspect of your findings?

Jim Collins:

I consider the most significant contribution of our work to be less the findings than the research methods used to develop these, which sought to ensure a scientific approach enabling replicability, verification and also, if possible, predictability.

The method adopted in *Good to Great* is both replicable and very clinical in its application, the essentials being to: select on output variables, not input variables; use rigorous direct comparisons to analyze the changing pattern of results; look for timeless principles cutting across all industries and not simply best practices; research over a sufficiently long period. We make no presumptions as to results and do not take as our starting point factors such as leadership or culture or technology. Most of the conclusions in *Good to Great* were derived from this method and as such they are not reflections of what I think – in some cases I don't like them – but that's the test of science; you discover things you don't expect and don't like.

For true science you also need predictability but we can't make this claim for our study. We just

don't know enough yet to predict outcomes – there are too many variables in the real world for that. That said, I think we're getting closer in our methods.

You mentioned that some of the conclusions were unexpected and some you didn't even like – could you elaborate?

Jim Collins:

I'm biased against leadership answers and I really did not want to find a leadership answer in *Good to Great*. Leadership answers are frequently an 'excuse'. There is a tendency to suggest that if an organization is successful it must have great leadership and if it isn't, the leadership must not have been as great as we thought. Additionally, whenever we can't understand something, we simply attribute it to leadership or lack thereof.

At the beginning of the *Good to Great* research project I asserted to the research team that this book would not propose a leadership answer. But, at a later research meeting, my team insisted that, based upon their reading of the data, I was wrong and leadership was a very significant variable in the companies that were seen to be going from good to great. I countered that some of the comparison companies also had remarkable if not exceptional leadership, yet these companies had not made it into the study on the positive side, hence leadership is clearly a non-variable, i.e. it's totally irrelevant. The

research team responded that the evidence indicated that the leadership in the good to great companies was different from that in the comparison companies. This finding became the seed of an insight.

While I remained very uncomfortable about highlighting leadership, it was clear that a leadership aspect was showing up in the data. This indicated that it was not leadership per se that matters, but the type of leadership. What we discovered was that, while there can be good leadership in both sets of companies, it is first and foremost an ambition for the cause combined with the will to make good on it – ‘Level 5 Leadership’ as we came to call it – that was universally shared in the good to great companies but absent in comparison companies. That was a real revelation.

Only eleven companies in the history of the *Fortune 500* made it through all of the screens we imposed to identify companies which demonstrated a significant shift in stature from good to great. The CEOs of these companies did not simply inherit great companies; they changed these companies in stature.

What really struck me about these particular CEOs was that they managed for the quarter century and their fundamental lens of time was different from that of other CEOs. That said, I wouldn't claim that the leaders in the comparison companies lacked a long-term time frame. But what they did lack was the will to do the things today that are required to produce great results tomorrow.

An example of this was the decision taken by the chief executive at Abbott Laboratories, a family company, in the 1960s to insist that family membership alone was an insufficient qualification for involvement in the company. Family members also had to have what it takes to be the best in the industry. This can be contrasted with the approach of the chief executive at Upjohn, also a family business, at the same time. Both CEOs were interested in the long-term health of their companies. But while the CEO of Abbott Laboratories had the courage to question the status quo, making a hard decision that he considered would produce the best results in the long term, the Upjohn CEO chose to leave things as they were.

Leadership is a pedestrian process in the sense that decisions must continually be made. It's like making a choice at a crossroads. If you're a really honest CEO you will admit that one of these choices relates to you, your comfort, or perhaps your aggrandizement, what you personally could gain or how you could avoid conflict. The other choice is about what is best for the cause, the

company, the work in hand, what you're trying to get done. Rather than being some grand, mystical personal transformation, achieving Level 5 Leadership is a process or series of accumulated decisions and the journey consists of some very difficult day-to-day choices. Encouragingly, making the right choices and becoming a Level 5 Leader would appear to be a process that can be learned.

You have emphasized the importance of determining the ‘who’ before the ‘what’, i.e. getting the right team on board before determining corporate objectives. Is there not occasionally a risk of ‘missing the bus’, i.e. would it not be possible to pursue both simultaneously?

Jim Collins:

The objective reality is that to some degree both are pursued simultaneously. But the real question is: what's the primary emphasis when you confront choices, dilemmas, decisions, issues?

Putting this in a personal context, imagine you are suffering a serious illness. A natural inclination is to go to the ‘what’ – to determine the diagnosis, the treatment, the recovery programme. We naturally address the ‘what’ to reduce ambiguity and anxiety. But the key is to resist this and instead to address the ‘who’, i.e. who is/are the right person/people to help me to resolve the ambiguity about what the ‘what’ should be? You should determine not to worry about treatment until you've addressed who will be involved in your care.

This example is something we can all relate to and what we really find is that, while looking for the ‘who’, we would also be doing some thinking about the ‘what’, e.g. reading articles, identifying information to try to develop an understanding of the disease. But first we must determine the appropriate ‘whom’ to approach. This is a discipline of life, a discipline of business, a discipline of organization, yet most people, and I would include myself in this, don't exercise that discipline as much as we should because we dislike ambiguity. The ‘what’ answers reduce the ambiguity, which makes us feel more secure. But the greatest security derives from determining who else is riding ‘on the bus’ with you.

It has been said that recruiters tend to choose people similar to them. This being the case, is it not easier for ‘Level 5 Leaders’ than for others to identify and select an excellent team?

Jim Collins:

When we were working on the book we were very struck by the executive teams we interviewed. Most of the team members had retired by the time we interviewed them but when they reflected on what it was like to be part of the management team when these companies went through this period of transition, they described it as a high point of their lives. They loved being 'on this bus' when it went through these difficult times, even in the dark times. They found the process both exhilarating and intrinsically enjoyable.

We were also struck by how almost every member of the management teams that we interviewed had similar Level 5 characteristics. Individual team members would talk about their colleagues and their amazing achievements, and how fortunate they considered themselves to have been a part of the company at such a challenging time.

Every member of these teams talked about everybody else that way, downplaying their own contributions. It was like an interlocking system of Level 5 behaviour and it produced an incredible dynamic. The Level 5 CEO tended to pick people who were individually very confident, yet not self-centred. Those who did not have this characteristic tended not to last on the team very long - they didn't make it, because they were either too self-centred or simply not good enough.

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Facing up to responsibilities at very high levels meant there was a dual set of expectations – both from others and ultimately from oneself. These were very special people and we were also very struck by what we came to call the 'window in the mirror' pattern which emerged. Team members tended to attribute success to others and blame themselves if things went badly; they assumed responsibility even if somebody else had done something really stupid. These people

understand their role at a very deep level and are very aware of the importance of their role, but without being self-important. That distinction is central.

This must be a very inspiring environment to work in. Is this the fruit of a management approach that deliberately sets out to motivate?

Jim Collins:

Such a working environment is certainly very special. One interesting example was a company in our research that had made a very poor acquisition some years previously. Extraordinarily, when we were conducting the interviews, every member of the executive team brought up the subject of this error. While it had happened some 15 years before, they were still 'processing' it mentally, talking about their own role in it and what they'd learned from it. I felt as if we were leading these executives through some sort of a therapy session. But such a healthy ability to resurrect such issues, talk about them and discuss what had been learned, promotes an incredibly healthy climate. They were effectively 'autopsying' mistakes without attributing blame, and learning from them. The chief executive gave out the message that he took responsibility for mistakes - and then the culture kicked in to learn from them.

It was also interesting to note that these good to great companies spent no time 'motivating' people as such – it just wasn't something they wasted time and energy on. The very idea of motivating people doesn't make any sense if you have self-motivated people.

What was also fascinating was that these Level 5 Leaders did not usually have particularly inspiring personalities. I'd go so far as to say that they were uncharismatic for the most part. What they created though, as you noted, were particularly motivating environments in which self-motivated people built momentum. The leaders themselves weren't inspiring people as such, but they had inspired standards and such people surround themselves with others who are self-motivated. Inspired standards are naturally infectious, hence the work environment becomes a place that brings the very best out of the best people. If you're not one of the best people, you just don't make it.

Do you have any views as to whether such management behaviour is a natural or a learned characteristic?

Jim Collins:

In the cases we researched, I think it came naturally but I'm reluctant to say that such behaviour is always purely instinctive. The reason for this is that it might imply that one cannot develop this. While not everyone can learn to create such an environment, many people either can or are at least capable of making progress towards it. We're all capable of growth, of maturity and development.

From recent media coverage of top management failings, one gets the impression some leaders have never before strayed so far from the qualities of the Level 5 Leader you describe. If this is the case, why should such behaviour have become so marked now?

Jim Collins:

In the 1980s and 1990s the conventional view was that charisma is a leadership asset and if you don't have it you can compensate for its absence. What our research shows is that leadership charisma should be viewed as a liability – a handicap to be overcome. We found a negative correlation between charismatic leadership and exceptional long-term results and building great companies. Yet the world appears to have 'fallen in love' with the idea of the charismatic leader.

The point is not just that leaders don't need charisma; it's that if they have it, it's a problem they need to address and overcome. There are, of course, leaders who manage this, which doesn't mean they must lose it, but they need to understand its liabilities. Chief among these is that charisma enables you to convince people to do the wrong things, hence to be charismatic and wrong is a bad combination because you can win arguments and persuade people to make the wrong choices. We saw the effects of this in any number of our comparison companies. Being charismatic and right, however, is a good combination. If people find your argument to be unpalatable – with charisma you can sway them. If, on the other hand, you are uncharismatic, you will need to win the argument based on its merits.

A charismatic leader poses another problem in that the company may feel it needs him or her in order to succeed. But what happens when that leader is no longer there? A charismatic leadership model is not good for building a great company over time because eventually that leader will leave or die. This is not an issue for an institution that does not depend on charisma.

Is today's 'charismatic' leader perhaps also a product of employee myth or need?

Jim Collins:

Let me offer a historical perspective on this. In our research, one of the things we do is to read systematically every single article ever published on every single company in our research over its entire history. In some cases we have articles going back to the 1800s. Doing this we began to see a historical development of patterns which indicated that, up until about the early 1980s, we were not obsessed with the idea of the charismatic leader or celebrity CEO. This is a relatively recent phenomenon which can be traced back to the publication of Lee Iacocca's book in the 1980s which prompted the rise of the celebrity, charismatic CEO as a model. Business journalists discovered that it was easier and sold more magazines to write about these flashy figures, so we saw the rise of the celebrity CEO and the rise of the stock market, and we ended up with a monster that got out of control.

But we're starting to see a swing back the other way because of realization of some of the implications of this. Based on recent evidence I'm not convinced that people really want charismatic leadership. What I think they do want is inspired more than inspiring leadership. If this comes in a charismatic package, fine; if it comes in an uncharismatic package, that is also fine. When we researched the dynamics of these organizations, we discovered that good decision-making, underpinned by integrity of purpose that produces results, becomes infectious. People want to be part of something that does well and of which they can be proud.

We need to separate what I would call media attention from the quiet, behind-the-scenes results that are being delivered by people you never read about. In the 1980s we tended to think that the charismatic leader was the dominant successful model; but it was more a case of a model that had dominant press coverage, which is very different to a dominant central model.

Your three circles concept (and order) would seem to indicate that great companies have better understanding of their organizations and loftier, often courageous 'aspirations' from the outset. Is this order of priorities – and the discipline of this approach – itself part of the key to success?

Jim Collins:

In one of our team meetings somebody made the observation that the concept must indicate an equal balance of a third, a third and a third between the three circles. While there might be a natural tendency to assume these circles are equally balanced, and while you must have all

three, if I were to allocate points in terms of importance to building a really great company, I would probably attribute 50:30:20 with 50 of the 100 in the passion circle representing values, purpose, and all the fuzzier, softer ideas, 30 for potential to be the best, and 20 to what drives the economic 'engine'.

It doesn't matter how much money you can make at something, if you're not passionate about it, you'll never be great at it. Equally, if you're exceptionally good at something and could potentially be the best at the world at it, if you're not passionate about it you may be able to get to the top but you won't be able to stay there. The only thing that keeps you at the top if you get there is the intrinsic creative passion for what you're doing. Darwin Smith of Kimberly-Clark described being chief executive of a company as one of the most creative forms of art – just operating in a different medium.

Kimberly-Clark was Smith's 'symphony'. Smith's drive was not reactive to the external world or reactive to a desire simply to get to the top. It was an inner, creative compulsive neurotic drive. People who have been at the top of something for a long time will tell you that getting there is easy, but staying there is hard – albeit not as hard for them because they really love it and believe in it.

You have written that you believe that 'much of what we found – Level 5 Leadership and the flywheel, for instance – will be harder to swallow for Americans than for people from other cultures'. Why should this be so?

Jim Collins:

American culture loves the myth of the lone individual hero. It is built into our cultural DNA as a nation and yet it's not even supported by the evidence of our own history – the West was settled by groups of people not lone individuals; the great industrial advancements of the 1800s and early 1900s were not accomplished by lone geniuses but achieved by people working together who built systems of genius. History shows that it is groups that come together in a common purpose that get the real work done. Nonetheless American ideology and American culture centres on the great, epic heroic male.

Other cultures emphasize this far less. Asian – and to some extent European – cultures demonstrate less of a love affair with the heroic individual facing the universe alone. A year or so ago I wrote an article for a Japanese business publication. Entitled *Be Careful What You Learn From America*, the article warned of some bad habits that Americans erroneously believe to be the key to our success. One of these is the charismatic, overpaid, non-Level 5 celebrity

leader whom some people really believe to be linked with success, which means that this example is exported as an idea to other parts of the world – quite frankly we're exporting cyanide.

In your view, are there any specific national cultural values that might contribute to the nurturing of great and/or enduring companies?

Jim Collins:

At the end of *Good to Great* we write about the key ideas from *Built to Last*, that is to say preserving the core and stimulating progress. We've learned that for enduring greatness you need both sides of that coin: stimulating progress – in which with innovation, change and renewal, countries like America excel – and preserving the core, which is fundamental to certain other nations such as Japan and some European countries. The strongest system, however, is one that does both, combining the stimulation of progress with preservation of the core.

What I've come to see is that it is not specific national values that more or less correlate with this, but corporate values. We are becoming a world of corporations and organizations and the world's work is increasingly done by corporations. Whether we like it or not, as a group they're becoming the most powerful institutions on earth.

First Built to Last, then Good to Great... what next?

Jim Collins:

I have two pieces of research in mind, one of which I'm already working on together with Morten Hansen of Harvard. This explores how you build greatness and sustainability in environments characterized by immense turbulence. We're approaching this by looking at the most successful companies that have gone public and subsequently become great companies, achieving this in environments characterized by turbulence, yet prospering and enduring. We started with 20,000 possible data points and are down to the last 25 or so.

The other piece of research planned will focus on the major question of how you build a great society by ensuring that its component parts become great. This study will concentrate on some 30 non-corporate entities, employing the Good to Great method of comparison, taking, for example, two government agencies and comparing one that went from good to great with one that didn't; similarly studying two education systems, two universities, two symphony orchestras, two nations, two police departments,

two cities, two healthcare institutions and so on. Whether I shall succeed in answering this question remains to be seen. □