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Good to Great ***Fast Company***

by Jim Collins

Start with 1,435 good companies. Examine their performance over 40 years. Find the 11 companies that became great. Now here's how you can do it too. Lessons on eggs, flywheels, hedgehogs, buses, and other essentials of business that can help you transform your company.

I want to give you a lobotomy about change. I want you to forget everything you've ever learned about what it takes to create great results. I want you to realize that nearly all operating prescriptions for creating large-scale corporate change are nothing but myths.

The Myth of the Change Program: This approach comes with the launch event, the tag line, and the cascading activities.

The Myth of the Burning Platform: This one says that change starts only when there's a crisis that persuades "unmotivated" employees to accept the need for change.

The Myth of Stock Options: Stock options, high salaries, and bonuses are incentives that grease the wheels of change.

The Myth of Fear-Driven Change: The fear of being left behind, the fear of watching others win, the fear of presiding over monumental failure—all are drivers of change, we're told.

The Myth of Acquisitions: You can buy your way to growth, so it figures that you can buy your way to greatness.

The Myth of Technology-Driven Change: The breakthrough that you're looking for can be achieved by using technology to leapfrog the competition.

The Myth of Revolution: Big change has to be wrenching, extreme, painful—one big, discontinuous, shattering break.

Wrong. Wrong. Wrong. Wrong. Wrong. Wrong. Totally wrong.

Here are the facts of life about these and other change myths. Companies that make the change from good to great have no name for their transformation—and absolutely no program. They neither rant nor rave about a crisis—and they don't manufacture one where none exists. They don't "motivate" people—their people are self-motivated. There's no evidence of a connection between money and change mastery. And fear doesn't drive change—but it does perpetuate mediocrity. Nor can acquisitions provide a stimulus for greatness: Two mediocrities never make one great company. Technology is certainly important—but it comes into play only after change has already begun. And as for the final

myth, dramatic results do not come from dramatic process—not if you want them to last, anyway. A serious revolution, one that feels like a revolution to those going through it, is highly unlikely to bring about a sustainable leap from being good to being great.

These myths became clear as my research team and I completed a five-year project to determine what it takes to change a good company into a great one. We systematically scoured a list of 1,435 established companies to find every extraordinary case that made a leap from no-better-than-average results to great results. How great? After the leap, a company had to generate cumulative stock returns that exceeded the general stock market by at least three times over 15 years—and it had to be a leap independent of its industry. In fact, the 11 good-to-great companies that we found averaged returns 6.9 times greater than the market's—more than twice the performance rate of General Electric under the legendary Jack Welch.

The surprising good-to-great list included such unheralded companies as Abbott Laboratories (3.98 times the market), Fannie Mae (7.56 times the market), Kimberly-Clark Corp. (3.42 times the market), Nucor Corp. (5.16 times the market), and Wells Fargo (3.99 times the market). One such surprise, the Kroger Co.—a grocery chain—bumped along as a totally average performer for 80 years and then somehow broke free of its mediocrity to beat the stock market by 4.16 times over the next 15 years. And it didn't stop there. From 1973 to 1998, Kroger outperformed the market by 10 times.

In each of these dramatic, remarkable, good-to-great corporate transformations, we found the same thing: There was no miracle moment. Instead, a down-to-earth, pragmatic, committed-to-excellence process—a framework—kept each company, its leaders, and its people on track for the long haul. In each case, it was the triumph of the Flywheel Effect over the Doom Loop, the victory of steadfast discipline over the quick fix. And the real kicker: The comparison companies in our study—firms with virtually identical opportunities during the pivotal years—did buy into the change myths described above—and failed to make the leap from good to great.

How change doesn't happen

Picture an egg. Day after day, it sits there. No one pays attention to it. No one notices it. Certainly no one takes a picture of it or puts it on the cover of a celebrity-focused business magazine. Then one day, the shell cracks and out jumps a chicken.

All of a sudden, the major magazines and newspapers jump on the story: “Stunning Turnaround at Egg!” and “The Chick Who Led the Breakthrough at Egg!” From the outside, the story always reads like an overnight sensation—as if the egg had suddenly and radically altered itself into a chicken.

Now picture the egg from the chicken's point of view.

While the outside world was ignoring this seemingly dormant egg, the chicken within was evolving, growing, developing—changing. From the chicken's point of view, the moment of breakthrough, of cracking the egg, was simply one more step in a long chain of steps that had led to that moment. Granted, it was a big step—but it was hardly the radical transformation that it looked like from the outside.

It's a silly analogy, but then our conventional way of looking at change is no less silly. Everyone looks for the "miracle moment" when "change happens." But ask the good-to-great executives when change happened. They cannot pinpoint a single key event that exemplified their successful transition.

Take Walgreens. For more than 40 years, Walgreens was no more than an average company, tracking the general market. Then in 1975 (out of the blue!) Walgreens began to climb. And climb. And climb. It just kept climbing. From December 31, 1975, to January 1, 2000, \$1 invested in Walgreens beat \$1 invested in Intel by nearly two times, General Electric by nearly five times, and Coca-Cola by nearly eight times. It beat the general stock market by more than 15 times.

I asked a key Walgreens executive to pinpoint when the good-to-great transformation happened. His answer: "Sometime between 1971 and 1980." (Well, that certainly narrows it down!)

Walgreens's experience is the norm for good-to-great performers. Leaders at Abbott said, "It wasn't a blinding flash or sudden revelation from above." From Kimberly-Clark: "These things don't happen overnight. They grow." From Wells Fargo: "It wasn't a single switch that was thrown at one time."

We keep looking for change in the wrong places, asking the wrong questions, and making the wrong assumptions. There's even a tendency to blame Wall Street for the "instant results" approach to change. But the companies that made the jump from good to great did so using Wall Street's own tough metric of success: a sustained leap in their stock-market performance. Wall Street turns out to be just another myth—an excuse for not doing what really works. The data doesn't lie.

How change does happen

Now picture a huge, heavy flywheel. It's a massive, metal disk mounted horizontally on an axle. It's about 100 feet in diameter, 10 feet thick, and it weighs about 25 tons. That flywheel is your company. Your job is to get that flywheel to move as fast as possible, because momentum—mass times velocity—is what will generate superior economic results over time.

Right now, the flywheel is at a standstill. To get it moving, you make a tremendous effort. You push with all your might, and finally you get the flywheel to inch forward. After two or three days of sustained effort, you get the flywheel to complete one entire turn. You keep pushing, and the flywheel begins to move a bit faster. It takes a lot of work, but at last the flywheel makes a second rotation. You keep pushing steadily. It makes three turns, four turns, five, six. With each turn, it moves faster, and then—at some point, you can't say exactly when—you break through. The momentum of the heavy wheel kicks in your favor. It spins faster and faster, with its own weight propelling it. You aren't pushing any harder, but the flywheel is accelerating, its momentum building, its speed increasing.

This is the Flywheel Effect. It's what it feels like when you're inside a company that makes the transition from good to great. Take Kroger, for example. How do you get a company with more than 50,000 people to embrace a new strategy that will eventually change every aspect of every grocery store? You don't. At least not with one big change program.

Instead, you put your shoulder to the flywheel. That's what Jim Herring, the leader who initiated the transformation of Kroger, told us. He stayed away from change programs and motivational stunts. He and his team began turning the flywheel gradually, consistently—building tangible evidence that their plans made sense and would deliver results.

"We presented what we were doing in such a way that people saw our accomplishments," Herring says. "We tried to bring our plans to successful conclusions step by step, so that the mass of people would gain confidence from the successes, not just the words."

Think about it for one minute. Why do most overhyped change programs ultimately fail? Because they lack accountability, they fail to achieve credibility, and they have no authenticity. It's the opposite of the Flywheel Effect; it's the Doom Loop.

Companies that fall into the Doom Loop genuinely want to effect change—but they lack the quiet discipline that produces the Flywheel Effect. Instead, they launch change programs with huge fanfare, hoping to "enlist the troops." They start down one path, only to change direction. After years of lurching back and forth, these companies discover that they've failed to build any sustained momentum. Instead of turning the flywheel, they've fallen into a Doom Loop: Disappointing results lead to reaction without understanding, which leads to a new direction—a new leader, a new program—which leads to no momentum, which leads to disappointing results. It's a steady, downward spiral. Those who have experienced a Doom Loop know how it drains the spirit right out of a company.

Consider the Warner-Lambert Co.—the company that we compared directly with Gillette—in the early 1980s. In 1979, Warner-Lambert told *Business Week* that it aimed to be a leading consumer-products company. One year later, it did an abrupt about-face and turned its sights on healthcare. In 1981, the company reversed course again and returned to diversification and consumer goods. Then in 1987, Warner-Lambert made another U-turn, away from consumer goods, and announced that it wanted to compete with Merck. Then in the early 1990s, the company responded to government announcements of pending healthcare reform and reembraced diversification and consumer brands.

Between 1979 and 1998, Warner-Lambert underwent three major restructurings—one per CEO. Each new CEO arrived with his own program; each CEO halted the momentum of his predecessor. With each turn of the Doom Loop, the company spiraled further downward, until it was swallowed by Pfizer in 2000.

In contrast, why does the Flywheel Effect work? Because more than anything else, real people in real companies want to be part of a winning team. They want to contribute to producing real results. They want to feel the excitement and the satisfaction of being part of something that just flat-out works. When people begin to feel the magic of momentum—when they begin to see tangible results and can feel the flywheel start to build speed—that's when they line up, throw their shoulders to the wheel, and push.

And that's how change really happens.

Disciplined people: "Who" before "what"

You are a bus driver. The bus, your company, is at a standstill, and it's your job to get it going. You have to decide where you're going, how you're going to get there, and who's going with you.

Most people assume that great bus drivers (read: business leaders) immediately start the journey by announcing to the people on the bus where they're going—by setting a new direction or by articulating a fresh corporate vision.

In fact, leaders of companies that go from good to great start not with “where” but with “who.” They start by getting the right people on the bus, the wrong people off the bus, and the right people in the right seats. And they stick with that discipline—first the people, then the direction—no matter how dire the circumstances. Take David Maxwell's bus ride. When he became CEO of Fannie Mae in 1981, the company was losing \$1 million every business day, with \$56 billion worth of mortgage loans underwater. The board desperately wanted to know what Maxwell was going to do to rescue the company.

Maxwell responded to the “what” question the same way that all good-to-great leaders do: He told them, That's the wrong first question. To decide where to drive the bus before you have the right people on the bus, and the wrong people off the bus, is absolutely the wrong approach.

Maxwell told his management team that there would only be seats on the bus for A-level people who were willing to put out A-plus effort. He interviewed every member of the team. He told them all the same thing: It was going to be a tough ride, a very demanding trip. If they didn't want to go, fine; just say so. Now's the time to get off the bus, he said. No questions asked, no recriminations. In all, 14 of 26 executives got off the bus. They were replaced by some of the best, smartest, and hardest-working executives in the world of finance.

With the right people on the bus, in the right seats, Maxwell then turned his full attention to the “what” question. He and his team took Fannie Mae from losing \$1 million a day at the start of his tenure to earning \$4 million a day at the end. Even after Maxwell left in 1991, his great team continued to drive the flywheel—turn upon turn—and Fannie Mae generated cumulative stock returns nearly eight times better than the general market from 1984 to 1999.

When it comes to getting started, good-to-great leaders understand three simple truths. First, if you begin with “who,” you can more easily adapt to a fast-changing world. If people get on your bus because of where they think it's going, you'll be in trouble when you get 10 miles down the road and discover that you need to change direction because the world has changed. But if people board the bus principally because of all the other great people on the bus, you'll be much faster and smarter in responding to changing conditions. Second, if you have the right people on your bus, you don't need to worry about motivating them. The right people are self-motivated: Nothing beats being part of a team that is expected to produce great results. And third, if you have the wrong people on the bus, nothing else matters. You may be headed in the right direction, but you still won't achieve greatness. Great vision with mediocre people still produces mediocre results.

Disciplined thought: Fox or hedgehog?

Picture two animals: a fox and a hedgehog. Which are you? An ancient Greek parable distinguishes between foxes, which know many small things, and hedgehogs, which know one big thing. All good-to-great leaders, it turns out, are hedgehogs. They know how to simplify a complex world into a single, organizing idea—the kind of basic principle that unifies, organizes, and guides all decisions. That's not to say hedgehogs are simplistic. Like great thinkers, who

take complexities and boil them down into simple, yet profound, ideas (Adam Smith and the invisible hand, Darwin and evolution), leaders of good-to-great companies develop a Hedgehog Concept that is simple but that reflects penetrating insight and deep understanding.

What does it take to come up with a Hedgehog Concept for your company? Start by confronting the brutal facts. One good-to-great CEO began by asking, “Why have we sucked for 100 years?” That’s brutal—and it’s precisely the type of disciplined question necessary to ignite a transformation. The management climate during a leap from good to great is like a searing scientific debate—with smart, tough-minded people examining hard facts and debating what those facts mean. The point isn’t to win the debate, but rather to come up with the best answers—and, ultimately, to lock onto a Hedgehog Concept that works.

You’ll know that you’re getting closer to your Hedgehog Concept when you align three intersecting circles that represent three pivotal questions: What can we be the best in the world at? (And equally important—what can we not be the best at?) What is the economic denominator that best drives our economic engine (profit or cash flow per “x”)? And what are our core people deeply passionate about? Answer those three questions honestly, facing the brutal facts without blinking, and you’ll begin to see your Hedgehog Concept emerge.

For example, before Wells Fargo understood its Hedgehog Concept, its leaders had tried to make it a global bank: It operated like a mini-Citicorp—and a mediocre one at that.

Then the Wells Fargo team asked itself, “What can we potentially do better than any other company?” The brutal fact was that Wells Fargo would never be the best global bank in the world—and so the leadership team pulled the plug on the vast majority of the bank’s international operations. When the team asked the question about the bank’s economic engine, Wells Fargo’s leaders confronted a second brutal fact: In a deregulated world, commercial banking would be a commodity. The essential economic driver would no longer be profit per loan, but profit per employee. The bank switched its operations to become a pioneering leader in electronic banking and to open utilitarian branches run by small crews of superb people. Profit per employee skyrocketed. Finally, when it came to passion, members of the Wells Fargo team all agreed: The mindless waste and self-awarded perks of traditional banking culture were revolting. They proudly saw themselves as stoic Spartans in an industry that had been dominated by the wasteful, elitist culture of banking. The Wells Fargo team eventually translated the three circles into a simple, crystalline Hedgehog Concept: Run a bank like a business, with a focus on the western United States, and consistently increase profit per employee. “Run it like a business” and “run it like you own it” became mantras; simplicity and focus made all the difference. With fanatical adherence to that simple idea, Wells Fargo made the leap from good results to superior results.

In the journey from good to great, defining your Hedgehog Concept is an essential element. But insight and understanding don’t happen overnight—or after one off-site. On average, it took four years for the good-to-great companies to crystallize their Hedgehog Concepts. It was an inherently iterative process—consisting of piercing questions, vigorous debate, resolute action, and autopsies without blame—a cycle repeated over and over by the right people, infused with the brutal facts, and guided by the three circles. This is the chicken inside the egg.

Disciplined action: The “stop doing” list

Take a look at your desk. If you're like most hard-charging leaders, you've got a well-articulated to-do list. Now take another look: Where's your stop-doing list? We've all been told that leaders make things happen—and that's true: Pushing that flywheel takes a lot of concerted effort. But it's also true that good-to-great leaders distinguish themselves by their unyielding discipline to stop doing anything and everything that doesn't fit tightly within their Hedgehog Concept.

When Darwin Smith and his management team crystallized the Hedgehog Concept for Kimberly-Clark, they faced a dilemma. On one hand, they understood that the best path to greatness lay in the consumer business, where the company had demonstrated a best-in-the-world capability in its building of the Kleenex brand. On the other hand, the vast majority of Kimberly-Clark's revenue lay in traditional coated-paper mills, turning out paper for magazines and writing pads—which had been the core business of the company for 100 years. Even the company's namesake town—Kimberly, Wisconsin—was built around a Kimberly-Clark paper mill.

Yet the brutal truth remained: The consumer business was the one arena that best met the three-circle test. If Kimberly-Clark remained principally a paper-mill business, it would retain a secure position as a good company. But its only shot at becoming a great company was to become the best paper-based consumer company—if it could take on such companies as Procter & Gamble and Scott Paper Co. and beat them. That meant it would have to “stop doing” paper mills.

So, in what one director called “the gutsiest decision I've ever seen a CEO make,” Darwin Smith sold the mills. He even sold the mill in Kimberly, Wisconsin. Then he threw all the money into a war chest for an epic battle with Procter & Gamble and Scott Paper. Wall Street analysts derided the move, and the business press called it stupid. But Smith did not waver.

Twenty-five years later, Kimberly-Clark emerged from the fray as the number-one paper-based consumer-products company in the world, beating P&G in six of eight categories and owning its former archrival Scott Paper outright. For the shareholder, Kimberly-Clark under Darwin Smith beat the market by four times, easily outperforming such great companies as Coca-Cola, General Electric, Hewlett-Packard, and 3M.

In deciding what not to do, Smith gave the flywheel a gigantic push—but it was only one push. After selling the mills, Kimberly-Clark's full transformation required thousands of additional pushes, big and small, accumulated one after another. It took years to gain enough momentum for the press to herald Kimberly-Clark's shift from good to great. One magazine wrote, “When ... Kimberly-Clark decided to go head to head against P&G ... this magazine predicted disaster. What a dumb idea. As it turns out, it wasn't a dumb idea. It was a smart idea.” The amount of time between the two articles: 21 years.

Now it begins

Our study of what it takes to turn good into great required five years—and 10.5 person-years—and amounted to our own flywheel effort. Looking back on our research, what's most striking to me about our findings is the absence of a magic moment in any of the good-to-great companies—or in our own journey to understanding. The real path to greatness, it turns

out, requires simplicity and diligence. It requires clarity, not instant illumination. It demands each of us to focus on what is vital—and to eliminate all of the extraneous distractions.

After five years of research, I'm absolutely convinced that if we just focus our attention on the right things—and stop doing the senseless things that consume so much time and energy—we can create a powerful Flywheel Effect without increasing the number of hours we work.

I'm also convinced that the good-to-great findings apply broadly—not just to CEOs but also to you and me in whatever work we're engaged in, including the work of our own lives. For many people, the first question that occurs is, "But how do I persuade my CEO to get it?" My answer: Don't worry about that. Focus instead on results—on subverting mediocrity by creating a Flywheel Effect within your own span of responsibility. So long as we can choose the people we want to put on our own minibus, each of us can create a pocket of greatness. Each of us can take our own area of work and influence and can concentrate on moving it from good to great. It doesn't really matter whether all the CEOs get it. It only matters that you and I do. Now, it's time to get to work.

Jim Collins (jimcollins@aol.com) wrote the essay "[Built to Flip](#)" in the March 2000 issue of *Fast Company*. His new book, *Good to Great: Why Some Companies Make the Leap ... And Others Don't*, will be available in October.

Sidebar: Separating the good from the great

Can a good company become a great company? How? It took Jim Collins and his team of researchers five years to come up with the answers: 11 companies made the leap from good to great and then sustained those results for at least 15 years. How great was great? The good-to-great companies averaged cumulative stock returns 6.9 times the general market in the 15 years after their transition points. The actual screening-and-selection process was a rigorous one. The criteria were:

1. The company had to show a pattern of good performance, punctuated by a transition point, after which it shifted to great performance. "Great performance" was defined as a cumulative total stock return of at least three times the general market for the period from the transition point through 15 years.
2. The transition from good to great had to be company specific, not an industrywide event.
3. The company had to be an established and ongoing enterprise—not a startup. It had to have been in business for at least 25 years prior to its transition, and it had to have been publicly traded with stock-return data available for at least 10 years prior to its transition.
4. The transition point had to occur before 1985 to give the team enough data to assess the sustainability of the transition.
5. Whatever the year of transition, the company had to be a significant, ongoing, stand-alone company.
6. At the time of its selection, the company still had to show an upward trend.

The study began with a field of 1,435 companies and emerged with a list of 11 good-to-great companies: Abbott Laboratories, Circuit City, Fannie Mae, Gillette Co., Kimberly-Clark Corp., the Kroger Co., Nucor Corp., Philip Morris Cos. Inc., Pitney Bowes Inc., Walgreens, and Wells Fargo.

The next step in the study was to isolate what it took to make the change. At this point, each of the 11 good-to-great companies was paired with a comparison company—a company with similar attributes that could have made the transition, but didn't.

Then the research began. Collins and his team reviewed books, articles, case studies, and annual reports covering each company; examined financial analyses for each company, totaling 980 combined years of data; conducted 84 interviews with senior managers and board members of the companies; scrutinized the personal and professional records of 56 CEOs; analyzed compensation plans for the companies; and reviewed layoffs, corporate ownership, "media hype," and the role of technology for the companies. The findings are contained in *Good to Great: Why Some Companies Make the Leap ... And Others Don't* (HarperBusiness, 2001).

Sidebar: Great answers to good questions

Fast Company: The CEOs who took their companies from good to great were largely anonymous. Is that an accident?

Jim Collins: There is a direct relationship between the absence of celebrity and the presence of good-to-great results. Why? First, when you have a celebrity, the company turns into "the one genius with 1,000 helpers." It creates a sense that the whole thing is really about the CEO. At a deeper level, we found that for leaders to make something great, their ambition has to be for the greatness of the work and the company, rather than for themselves. That doesn't mean that they don't have an ego. It means that at each decision point—at each of the critical junctures when Choice A would favor their ego and Choice B would favor the company and the work—time and again the good-to-great leaders pick Choice B. Celebrity CEOs, at those same decision points, are more likely to favor self and ego over company and work.

FC: Like the anonymous CEOs, most of the good-to-great companies are unheralded. What does that tell us?

JC: The truth is, few people are working on the most glamorous things in the world. Most of them are doing real work—which means that most of the time they're doing a heck of a lot of drudgery with only a few moments of excitement. The real work of the economy gets done by people who make cars, who sell real estate, and who run grocery stores or banks. One of the great findings of this study is that you can be in a great company and be doing it in steel, in drug stores, or in grocery stores. No one has the right to whine about their company, their industry, or the kind of business that they're in—ever again.

FC: Let's say that I'm not running a company. How do the good-to-great lessons apply to me?

JC: The basic message is this: Build your own flywheel. You can do it. You can start to build momentum in something for which you've got responsibility. You can build a great department. You can build a great church community. You can take every one of these ideas and apply them to your own work or your own life.

FC: What does your research suggest about the best way to respond to the current economic slowdown?

JC: If I were running a company today, I would have one priority above all others: to acquire as many of the best people as I could. I'd put off everything else to fill my bus. Because things are going to come back. My flywheel is going to start to turn. And the single biggest constraint on the success of my organization is the ability to get and to hang on to enough of the right people.

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The Wizard, King, and Hobbit of Business *Fast Company*

by Jim Collins

Try to imagine J.R.R. Tolkien's *The Lord of the Rings* trilogy captured in a single two-hour movie or a slim volume you could read in 30 minutes, with the Dark Lord Sauron bellowing, "Who moved my ring?"

The truth is, we love epic adventures that unfold gradually, allowing us to become lost in the people and their stories. From Darth Vader to Harry Potter, from Achilles to Odysseus, from Bilbo to Frodo, there is something primal in our obsession with the multivolume epic. Even in nonfiction, larger-than-life individuals just cannot be stuffed into a single volume. Manchester's biography of Churchill, Caro's Johnson, Sandburg's Lincoln--they hold our attention precisely because they are long enough to do the job.

I began thinking, "Has there ever been a great business trilogy?"

I wanted to find an epic adventure of real people transformed by a hero's journey. I found only one. It's the story of a father who builds an empire, a reluctant son who battles against his father before inheriting the empire and taking it to greatness, and a stranger who shows up in the nick of time to save all that the father and son built. It's a story that spans nine decades and is enmeshed in the sweep of history, from World War I through the Great Depression, World War II, the rise of America, the go-go 1960s, the technology explosion, and the dawn of a new post-September 11 world. The trilogy of IBM--three extraordinary books, each composed by a different author--is populated by characters as bold and daring and ultimately flawed as any in literature, beginning with a fascinating individual who, in middle age, found his life and career shattered.

Part I: The Rise of the King

Five days after his 38th birthday, Thomas J. Watson Sr. awoke to read a banner headline, "NCR Men Indicted by Federal Grand Jury." There, in the second paragraph, in a long list of names, jumped out the horrific sight of the name Watson. Along with 30 other executives, Watson had been nailed for criminal antitrust violations, part of a scheme conceived and orchestrated by his mentor John Henry Patterson. Out of work and carrying the stigma of the NCR scandal, he had to start with less than zero.

In terms of how people respond to crushing setbacks in life, there are three types. There are those who never fully recover. There are those who get their lives back to normal. And there are those--like Thomas J. Watson Sr.--who turn calamity into a defining event from which they emerge stronger than before.

I asked Kevin Maney, author of *The Maverick and His Machine* (J. Wiley & Sons, 2003), for his assessment of Watson's inner motivations for building IBM into a great company. The primary

drives, concluded Maney, were not money, power, or fame--although they did play a role--but a quest for something that added up to more than all of these combined: redemption.

Watson Sr. reminds me of the main character in Joseph Conrad's novel *Lord Jim*. Early in the story, Jim finds himself first mate on a ship badly damaged at sea. With a squall bearing down, the captain and crew abandon ship, leaving 800 religious pilgrims to their deaths. The crew returns to port, telling a tale of how the ocean destroyed the ship, only to look out the window one day to see the very same ship pulled back into port. Ashamed, Jim seeks out a remote trading post where he dedicates his life to becoming a courageous warrior leader in a tribal village (hence *Lord Jim*), seeking redemption for his act of cowardice.

Similarly, Watson Sr. sought out a remote little firm, became its idealistic leader, and dedicated his life to building a role-model company revered not just for its success but equally for its fanatical adherence to core values. He built IBM brick by brick from an agglomeration of small enterprises with the innocuous name of The Computing-Tabulating-Recording Company (CTR). Watson Sr. did for corporate culture what the founders of the United States did for capitalist democracy--he invented its modern model and proved that it could work in practice.

Yet Watson Sr. became a figure so cultlike as to create a company wholly dependent on his direction. In fact, IBM would have likely become a mere footnote in industrial history had it not been for one huge stroke of luck: The genetic lottery gave the king of IBM a prince of immense capabilities. Just one problem: The prince had neither the confidence nor the inclination to become king.

Part 2: The Tortured Prince

The Princeton director of admissions flipped through a file on his desk, glowering at the pages. After a long pause, he looked across the desk at Thomas J. Watson Sr. and simply said, "Mr. Watson, I am looking at your son's record, and he is a predetermined failure." It was just one more early life setback described by Thomas J. Watson Jr. in his memoir, *Father, Son & Company* (Bantam, 1990), written with Peter Petre. He'd failed in high school--taking six years to graduate at the age of 19, with terrible grades. He'd failed to make the baseball team, the football team, or the hockey team. His one arena of success lay in rowing crew, setting the stage for a lifelong love of being on water. His father finally pulled strings to get young Tom into Brown, garnering a ringing endorsement from the officer of admissions: "He's not very good, but we'll take him."

Little wonder young Tom doubted he could fulfill his destiny to take over IBM. In reading his remarkably honest text, one gets the feeling that Watson Jr. would rather have spent his life flying airplanes and taking adventure trips on small boats than running IBM. He was like the prince of a nation who did not feel qualified to be king. (Imagine the Prince of Wales saying, "I'm sorry, Mom, but I just don't think I'm up to being king of England. How about I go climb the Himalayas, and we hire a professional manager instead?")

The turning point came in World War II, when Watson Jr. worked for Air Corps Major General Follett Bradley. Like thousands of young soldiers, he gained confidence from the responsibility placed on his shoulders ("If I blow it here, the plane will crash, and I'll kill all my comrades. . . ."). After the war, Watson Jr. planned to become an airline pilot; he'd simply never believed he had what it took to take over IBM from his legendary father. "Really?" asked a surprised

Bradley as they drove to a meeting in the spring of 1945. "I always thought you'd go back and run the IBM company."

Stunned, Watson Jr. stared out the car window and finally summoned the courage to ask the one question he'd never dared: "General Bradley, do you think I could run IBM?" Bradley uttered two words that would change the course of Tom's life and the trajectory of industrial history: "Of course."

Watson Jr. lived in terror of letting his father down. After his father's death in 1956, Watson Jr. spent the next 14 years of his life proving--to himself, to the world, and to his dead father--that he was up to the task. He drove himself and IBM, never allowing rest. He turned IBM to computers. He bet the company on the IBM 360--the largest privately financed commercial project undertaken to that point in history, requiring more resources than the Manhattan Project to develop the atomic bomb in World War II. Under Watson Jr., IBM grew more than tenfold, while profits multiplied 18 times. Carrying the burden of responsibility for his father's company, Watson Jr. turned himself from a predetermined failure into the chief architect of IBM's greatest days.

Unfortunately, Watson Jr. was just like his father in making the company too dependent on his own leadership genius. After Watson Jr., IBM began to lose momentum. At first, the slide was imperceptible, but gradually IBM's position and profit margins began to erode, then fall off dramatically. By 1992, IBM was losing nearly \$100 million per week.

Part 3: Enter the Stranger

In early 1993, I stood in front of a group of skeptical Silicon Valley executives, sharing the results of our Stanford research into enduring great companies. "How can we possibly take your research seriously with IBM in the study set?" scoffed one participant. "They're going the way of the dinosaurs."

I fumbled and struggled, trying to explain that the essence of a great company lies not in the absence of difficulty but in its ability to bounce back from difficulty and come back even stronger than before. I argued that great companies--like great nations--have a way of fighting their way out of calamity, rising to their best when their backs are most to the wall.

It's a good thing that I didn't know what Lou Gerstner was thinking at that same time 3,000 miles away in New York. "I was convinced that . . . the odds were no better than one in five that IBM could be saved and that I should never take the position," he wrote in his memoir, *Who Says Elephants Can't Dance?* (HarperBusiness, 2002). And even if the company could be saved, Gerstner continued, he wasn't qualified for the job. After all, he'd been selling cookies and credit cards, not computers.

It was Jim Burke, former CEO of Johnson & Johnson, who made the clinching argument: IBM is not just a company; it's a national treasure. Saving IBM wasn't just about business, economics, or profits and losses--it was about saving an institution of vital importance to America and the world.

Thus began Lou Gerstner's transformation into a truly great CEO. Early in his career, Gerstner appears to have seen the role of a company as little more than an economic machine, and a platform for winning and personal success. But IBM transformed Lou Gerstner at least as

much as Lou Gerstner transformed IBM. He became, perhaps for the first time, a leader with ambition first and foremost for the cause and company, far beyond himself. Gerstner could have played the role of heroic emergency room surgeon, dashing in to save the patient, only to move on to his next glamorous save. But instead, he stayed, nursing the patient back to health, training him not just to walk again but to run the marathon at world-class pace. As he left IBM, Gerstner wrote: "Along the way, something happened--something that, quite frankly, surprised me. I fell in love with IBM."

During the years between Watson Jr. and Gerstner, IBM lost sight of the key dynamic of an enduring great company: adherence to core values combined with a willingness to challenge and change everything except those core values--keeping clear the distinction between "what we stand for" (which should never change) and "how we do things" (which should never stop changing). Gerstner was IBM's Martin Luther, destroying outdated forms that got between IBM and its ultimate authority, the customer. Most important, Gerstner reminded IBM that, by God, it was IBM.

There is a symbiotic relationship between great institutions and great CEOs. The CEO is transformed by committing to a bigger purpose than mere personal success, and in doing so, the company is transformed into greatness. Watson Sr. could be petty, mean, and vain. Once, he banished an executive to a dreary resort for a week during the rainy season just to make the point, "You are not indispensable." More than once while reading Maney's biography of Watson Sr., I found myself wondering, "Why would anyone want to work for this tyrant?" But they not only worked for him, they loved him. And they did so because, in the end, he became more ambitious for IBM and its people than for himself. The power of this beyond-self ambition was so large that it could drive a son to sacrifice the best years of his life to being CEO of IBM and could leap across 60 years and transform Lou Gerstner from a good CEO into a great one.

Taken together--1,174 pages in total--these books form an epic trilogy. You will not find elves, trolls, and wizards in it, but something more inspiring: human beings with gigantic flaws who built a great institution, and who, in doing so, rebuilt themselves.

Sidebar: Lessons From...

The Maverick and His Machine

By Kevin Maney

Tom Watson Sr. turned a small, struggling business into one of the most significant companies in America. Watson Sr. exemplifies the principle of being a clock-builder, not just a time-teller--an entrepreneurial leader who understands that his or her ultimate product is not a nifty gadget or imaginative new service but the company itself and what it stands for. Whereas a time-teller acts as a visionary genius with a single great idea, a clock-builder constructs an organization that can prosper through many industry life cycles. Watson understood that markets and technologies come and go, but a great company with outstanding people can evolve and adapt for decades, perhaps even centuries. Central to building the clock is Watson's most enduring invention: a strong, almost cultlike corporate culture built upon ferociously held core values.

Father, Son & Company

By Thomas J. Watson Jr. & Peter Petre

Tom Watson Jr. took a great company and made it even greater. His story teaches the power of BHAGs--big hairy audacious goals--to keep a successful company from becoming trapped in the "we've arrived" syndrome. A BHAG serves as a powerful mechanism to stimulate progress--a finish line to shoot for, a summit to reach, the business equivalent of the NASA moon mission. Whereas many companies languish in the second generation after the driving intensity of a founder, Watson Jr. was unusual in challenging the company to new levels: We've only climbed Mount Denali, he said in essence. The question is, What is Mount Everest? The company lagged in computers, but Watson Jr. used the IBM 360 as his Mount Everest BHAG to vault IBM to the leading spot in the new digital economy, a position it held for many years.

Who Says Elephants Can't Dance?

By Louis V. Gerstner Jr.

Lou Gerstner did what many thought was impossible: He returned IBM to greatness after it had lost its way. Gerstner exemplifies the principle of turning a culture of bureaucracy into a culture of discipline. In a culture of bureaucracy, people have little freedom and lots of rules. In a culture of discipline, people have lots of freedom within a framework of responsibilities and values. Gerstner decoupled core values (which must remain intact) from cultural norms and operating practices (which must evolve in response to a changing world). Lose your core values, and you lose your soul. Refuse to change your practices, and the world will pass you by. Gerstner overturned narrow traditions and stupid rules, while simultaneously revitalizing IBM's core values and semineurotic passion for superiority--a neat hat trick and a lesson for us all.

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June, 2003

Bigger, Better, Faster *Fast Company*

by Jim Collins

On a crisp February day in downtown Houston, I had an encounter with a giant dancing chicken. It was 6:30 in the morning, and I had just made my way into the Houston Convention Center to deliver a presentation to Sam's Club and Wal-Mart. The cavernous room was nothing more than a giant indoor stadium -- you could easily have parked two or three 747 jets inside the arena. From my vantage point backstage, I saw 3,000 color-coded store managers: a blue group, a red group, and a green group, each representing a geographic region. All of these people were ringing cowbells, clapping, and cheering.

"We'd better talk about anything we need to now," said Kathleen, the wonderful person responsible for shepherding me around. "It's going to get pretty rowdy in a few minutes, and you won't be able to yell over the noise." That's when I noticed the giant chicken over in the corner, practicing its dance steps and warming up. Not far away, a rather grungy-looking rock band was setting up shop. They looked as though they had come straight from last night's gig.

"Do you want to go over your PowerPoint slides now?" the AV guy asked me. I looked out at the 3,000 color-coded store managers, glanced over at the dancing chicken, and sized up the rock band. "No, let's skip the graphics," I yelled over the noise. It didn't seem like a PowerPoint moment.

Then, at 6:45, the rock band hit the floor -- bang! -- and the place went nuts. Thousands of cowbells clanged. The band's lead singer, unshaven, wearing sunglasses and a Jaggeresque black-and-silver jumpsuit, ran around in the crowd while his buddies blasted out chords on fully cranked guitars. (Their amps went to 11.) Out came the dancing chicken, huge and proud, swinging its tail to the greater glory of discount stores. Two, three, four songs went by -- each louder than the last -- and it all culminated in the Wal-Mart rock song.

At precisely 7:00, the band stopped, and the chicken waddled off backstage (or wherever it is that giant chickens go when they're not dancing in front of 3,000 blue, red, and green store managers). Up on stage jumped three Sam's Club executives to lead a rousing rendition of the Sam's Club cheer.

"Give me an S."

"S!"

"Give me an A."

"A!" . . . building up to a crescendo of ringing cowbells, stomping feet, and a cheering crowd.

I felt completely intimidated. How was I supposed to deliver a serious message about enduring great companies in the wake of a giant dancing chicken at 7 o'clock in the morning?

But to my amazement, when it was my turn to speak and I raised the serious question of what it would take for them to build an even better company, the whole room became surprisingly attentive.

Here is what I learned from that experience: It is entirely possible for a company to grow to 1.4 million people and retain much of the vibrant culture and sense of purpose created by its entrepreneurial founder. I must admit, I hadn't thought that that was possible. By the time most companies reach \$10 billion or \$20 billion in revenue, they have long ago lost the entrepreneurial zeal that fueled them in the first place. By \$50 billion, they have gone fully corporate, and their very success has made them complacent, dull, and slow. The usual story is that what was once a fast company -- in its attitude, its values, its spirit, and its execution -- eventually succumbs to inertia and spirals into a doom loop of mediocrity.

Yet if anything, Wal-Mart is gaining momentum. This fast company is becoming a faster company. Wal-Mart grows a Fortune 100 corporation each year. The company's culture is as strong as ever. And Wal-Mart has yet to reach the larger world outside of the United States. Here is the most startling fact of all: If Wal-Mart were to maintain its average growth rate from the past 10 years, it would become the world's first \$1 trillion company within a decade.

Will Wal-Mart really become the first \$1 trillion company? The odds are certainly against it. It would mean being a single corporation with more than 5 million employees -- nearly half the total number of men and women in the U.S. Armed Forces during World War II and more people than are currently employed by the U.S. federal government. It would mean having annual revenues that are roughly on scale with the GDP of the UK; substantially in excess of the GDP of such countries as Australia, Canada, and Spain; nearly 10% of the entire U.S. economy; and equal to the government budgets of all 50 U.S. states combined. I remain skeptical about whether any company -- including Wal-Mart -- can reach this size without being crushed under its own weight.

Then again, back when Wal-Mart was one-tenth its current size, the idea of reaching a quarter of a trillion dollars in revenue seemed equally preposterous. In 1991, Jerry Porras and I wrote about Sam Walton's audacious goal in 1977 to reach \$1 billion and about his audacious goal in 1990 to double the number of stores by 2000. We thought those were audacious goals -- but then a Wal-Mart director reprimanded us for omitting the other part of the goal: to reach \$125 billion, also by 2000. At the time, no company in history had attained that level of sales. "If someone thought [Walton's] original goal in 1977 was audacious," wrote the director, "he or she must be frightened by the present target."

We laughed. At the time, Wal-Mart had about \$30 billion in revenue, and we doubted whether it could continue at the same pace -- especially given the fact that Walton had passed the company to a leader who had seemingly undergone a charisma bypass. But under CEO David Glass, Wal-Mart not only reached its \$125 billion goal, but it did so two years early.

I don't want to argue whether Wal-Mart will become the first \$1 trillion company, or even whether this would be good or bad for society. (There are strong considerations on both sides of that question.) My point is that Wal-Mart teaches us valuable lessons. Not only does the company's story dispel the myth that size is necessarily at odds with speed, but it also illustrates a few of the timeless principles that make a company fast -- and great -- in the first place.

Greatness Is Cumulative.

Sam Walton began with a single dime store in 1945 and did not open his second store for seven years. Seven years! Twenty-five years later, Wal-Mart had only 38 stores. Today, Wal-Mart has about 4,000 stores, building up to that number through a process that has been slow and steady. Albert Einstein once quipped that the greatest mathematical discovery of all time is compound interest. That is the Wal-Mart story. Walton began with \$72,000 in annual revenue, grew it at 29% per year for three decades, and then accelerated from there. In recent years, the company has settled into 16% per year average growth -- but off a much, much larger base. That kind of cumulative growth achieved over seven decades turns a \$72,000 dime store into a \$1 trillion corporation.

You achieve greatness, it turns out, in much the same way that you turn a giant, heavy flywheel: It takes a huge amount of effort to get the thing moving from one turn to two, from two to four, from four to eight. But if you keep pushing in a consistent direction, you'll eventually hit a hundred, then a thousand, then a million RPMs. When you combine a consistent direction with substantial speed, you achieve something greater than either of those elements alone: momentum.

Consistency Enables Change.

The key to change is first to understand what not to change and then to feel free to change everything else. A key factor to Wal-Mart's trajectory is that it has never changed its DNA. Central to this set of core traits is a fanatical adherence to a deeply democratic idea: Wal-Mart exists to enable people of average means to buy more of the same things previously available only to rich folks. The company's whole model of using its power to extract lower prices from suppliers and then passing those savings along to customers derives from that core principle. Wal-Mart has been willing to try all sorts of new things -- from creating supersized grocery stores to selling cars. The company keeps what works and gets rid of what doesn't but always remains guided by its core traits, which have not changed in more than 50 years.

A Vibrant Culture Is Productively Neurotic.

All great companies have cultures that are so tight, they're almost cultlike: Those people who do not share the company's core values find themselves surrounded by corporate antibodies and ejected like a virus. (It is no accident that outsiders refer to Wal-Mart people as "Walmartians.") But effective culture is not just about rock and roll, clanging cowbells, and dancing chickens. It is also about discipline -- disciplined people who engage in disciplined thought and who take disciplined action. And the ultimate form of discipline is this: Never think of your company as great, no matter how successful it becomes. Instead, always stay irrationally worried that it is never really measuring up to its potential. A senior Wal-Mart executive told me, "We're nearly a quarter of a trillion dollars in revenue, and we're still worried about our future. We're the world's largest company with the world's largest inferiority complex."

It's a statement that Sam Walton would have instinctively understood. Munching a burger one day at a diner near Wal-Mart's headquarters in Bentonville, Arkansas, Walton pointed to a man over in another booth. "That's Joe. I really admire Joe," Walton said to a colleague of mine, who witnessed the moment. "He used to be a truck driver and then started his own business raising chickens. Today, he's really successful, and I'd like to learn from him." Walton

-- by then worth well over \$8 billion -- finished his burger, ambled out to his beat-up old pickup truck, and returned to the pedestrian task of building his chain of discount stores.

Jim Collins is author of Good to Great and coauthor of Built to Last . He is a self-employed professor, operating out of his management- research laboratory in Boulder, Colorado. Learn more about Collins's work on the Web (www.jimcollins.com).

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May 1997

The Most Creative Product Ever *Inc.*

by Jim Collins

I was recently asked to speak at a conference about the role of innovation in enduring great companies. My first impulse was to decline, for a simple reason: great companies do not necessarily have innovation as a central part of their vision or strategy. They are just as likely to be followers as they are to be leaders with pioneering products and leading-edge services. IBM, for example, grew from a one-building small business into one of the largest corporations in the world because of its professional sales force, not its product innovation. In fact, when IBM fully launched into computers, in the early 1960s, it already lagged far behind rival companies, such as Burroughs, in innovative computer technology. And it was Diner's Club, not American Express, that invented the modern credit card. American Express didn't introduce its card until eight years after the debut of Diner's Club—hardly leading-edge behavior. Nordstrom, Wal-Mart, McKinsey, Marriott—none of those companies attained success primarily through innovation.

Certainly, some great companies—notably Sony, Johnson & Johnson, W.L. Gore, and 3M—have innovation as a core value or an integral part of their strategy. So, you *can* be innovative and great. But the fact remains: you do not need to have innovative products, services or technologies, or visionary market ideas, to create a great company.

But I decided to do the speech, because while not all great companies have innovative products or services, they all—without exception—pursue the most profound and powerful form of innovation: *social* innovation. Social innovation—or what I like to call innovation squared—makes most first-order innovation and human productivity possible in the first place. The invention of constitutional government, of private property as a social mechanism, of money, of public stock ownership, of the corporation, of the free-market economy, of public education—those social innovations are ultimately more significant than the invention of the personal computer, the telephone, the automobile, the jet airplane, or the Internet.

Let me use my own experience in the world of rock climbing to illustrate the power of social innovation to drive human progress. In the past thirty years climbing has seen gigantic leaps in accomplishment. Sheer, overhanging rock faces once deemed unscalable now get climbed by 15-year-old kids as “warm-ups.” It took 47 *days* to climb the south face of El Capitan on the first ascent in 1958; the current record stands at under five *hours*. While technical innovations, such as sticky shoe rubber, contributed to climbing progress, the primary drivers were in fact social innovations. The decision to include the names of first ascentionists in guidebooks fueled a fierce competition among climbers to push standards and establish new routes. The radical social innovation to work climbs from the “top down” rather than take the conventional approach to work from the “ground up”—essentially reverse-engineering a climb—shattered a social convention and led to a quantum leap in standards. Those and other social innovations, such as international climbing competitions, drove technical innovation, not the other way around.

To take the concept to an organizational level, let me ask you to shift your attention from product and technological innovation to social innovation. Think of it this way: what was

Thomas Edison's greatest invention? Not the light bulb. Not the phonograph. Not the telegraph. I agree with many Edison observers that his greatest invention was the modern research-and-development laboratory—a social invention. What was Henry Ford's greatest invention? Not the Model T but the first successful large-scale application of a new method of management—the assembly line—to the automobile industry. What was Walt Disney's greatest creation? Not Disneyland or Mickey Mouse but the Disney creative department, which to this day continues to generate ingenious ways to make people happy.

If you want to build an enduring great company, don't make the mistake the leaders of Apple Computer made in the late 1980s. After the remarkable success of the Macintosh computer and the departure of Steve Jobs, Apple's leaders spent their time trying to come up with the next insanely great innovation. Instead, they should have spent their time being social inventors, designing an environment that would be the seedbed for many insanely great innovations over decades to come. They should have been more like the builders of 3M, who never came up with a single product innovation themselves but instead invented a perpetual-innovation machine, fueled by social inventions like “bootleg time” (which gives 3M employees 15% free time to tinker around) and an internal venture-capital fund. Apple failed to become a truly innovative company like 3M because its leadership failed to pay attention to the most important form of innovation, namely, social innovation.

Even if you don't want to build a perpetual-innovation machine like 3M (and you don't need to), you still have to be innovative and progressive in management and organization. Great companies are early adopters, if not outright inventors, of progressive management methods. They are among the first to try the outlandish, the different, the radical.

They are like Procter & Gamble, which experimented with employee stock ownership and profit sharing in the late 1800s, 100 years before such practices became common place. They are like Nordstrom, which encouraged salespeople to use their discretion in serving the customer 50 years before the word *empowerment* showed up in the popular business press. They are like W.L. Gore, which experimented in the 1950s with Abraham Maslow's self-actualization concepts and a loosely coupled “lattice organization” structure decades before those ideas became widely taught at business schools.

The greatest of all inventions is human organization and society—the ultimate tool for achieving human objectives. Boeing jets, 3M Post-It notes, Federal Express, universal telephone service, the Sony Walkman, the HP 200LX pocket computer—none of those would have been possible without human organization and continual innovation in the practice of management.

So look at the way you spend your time. Are you creating the next great innovation, or are you creating an environment that stimulates innovation? Are you focused on what to do when your current product line becomes obsolete, or are you focused on building a unique culture that cannot be copied? Are you busy inventing gadgets, or are you experimenting with social inventions?

The next wave of enduring great companies will be built not by technical or product visionaries but by social visionaries—those who see their company and how it operates as their ultimate creation and who invent entirely new ways of organizing human effort and creativity.

April 2004

The Wizard, King, and Hobbit of Business

Fast Company

The story of a father who builds an empire, a reluctant son who battles against his father before inheriting the empire and taking it to greatness, and a stranger who shows up in the nick of time to save all that the father and son built.

December 30, 2003

Best New Year's resolution? A 'stop doing' list

USA Today

The start of the New Year is a perfect time to start a stop doing list and to make this the cornerstone of your New Year resolutions, be it for your company, your family or yourself.

September 2003

Hitting the Wall: Realizing that Vertical Limits Aren't

Chapter 1 and Epilogue from the book UPWARD BOUND: Nine Original Accounts of How Business Leaders Reached Their Summits

July 21, 2003

The 10 Greatest CEOs of All Time

Fortune

What these extraordinary leaders can teach today's troubled executives.

June 2003

Bigger, Better, Faster

Fast Company

If current growth rates hold up, the company that Sam Walton built will become the world's first trillion-dollar business within a decade. Far-fetched? Perhaps. But if you understand how Wal-Mart keeps growing, you'll know what it takes to keep your company moving in the right direction.

October 2002

The Secret Life of the CEO: Is the economy just built to flip?

Fast Company

Here's the truth: The problem isn't the market's rise or fall. The problem is people who react to events, rather than seek to create something great.

August 9, 2002

Expensive 'name' CEOs not necessarily best leaders

USA Today

Imagine the absurdity of paying a CEO \$100 million for performing so badly that he gets fired. If true, executive compensation has indeed reached a new level of insanity.

April 29, 2002

How Great Companies Tame Technology

Newsweek

In 1997, I conducted a research interview with Ken Iverson, the CEO who led Nucor from obscurity into becoming the most profitable steel company in America.

September - October 2001

The Misguided Mix-Up of Celebrity and Leadership

Conference Board Annual Report, Annual Feature Essay.

Virtually everything our modern culture believes about the type of leadership required to transform our institutions is wrong. It is also dangerous.

October 2001

Good to Great

Fast Company

Start with 1,435 good companies. Examine their performance over 40 years. Find the 11 companies that became great. Now, here's how you can do it, too. Lessons on eggs, flywheels, hedgehogs, buses, and other essentials of business that can help you transform your company.

February 11, 2001

Manager's Journal: High Returns Amid Low Expectations

The Wall Street Journal

During the late 1990s, executives complained about out-of-whack expectations created by an irrational stock market. Now many of those same people complain about the pressures created by recession, war, terrorism, and a struggling market.

January 2001

Level 5 Leadership

Harvard Business Review

What catapults a company from merely good to truly great? A five-year research project searched for the answer to that question, and its discoveries ought to change the way we think about leadership. *For the full text of this article, please contact Harvard Business Review.*

December 28, 2000

Old Economy Companies Learn New Economy Tricks

USA Today

The belief that "new economy" companies will annihilate all "old economy" companies has been replaced with a more realistic view.

August 28, 2000

The Timeless Physics of Great Companies

(published as "Perspectives: Don't Rewrite the Rules of the Road")

Business Week

The Internet is a big deal, but electricity was bigger. Building a great company requires adherence to principles predating both.

August 2000

Best Beats First

Inc.

Of all the new economy's supposed "rules," the notion that nothing is as important as being first to reach scale may be the most widely accepted. It's also wrong.

June 2000

Aligning Action and Values

The Forum (originally published in The Peter F. Drucker Foundation for Nonprofit

Management's Leader to Leader, Premier Issue Summer 1996)

Executives spend too much time wordsmithing vision statements, mission statements, values statements, purpose statements, and aspiration statements—and nowhere near enough time trying to align their organizations with the values and visions already in place.

March 2000

Built to Flip

Fast Company

A battle is under way for the new economy. Which side are you on?

February 24, 2000

Shareflipping Cheats Shareholders of Real Value *USA Today*

Responsibility to shareholders is rapidly becoming an irrelevant concept in our country.

Increasingly, corporate ownership lies not in the hands of shareholders but in the hands of an entirely different species: shareflippers.

September 23, 1999

Corporations Will Shape Our Future Values

USA Today

Visionary businessmen of the 20th century used their companies to shape society and its values. They will become the norm, rather than the exception, in the 21st.

July-August 1999

Turning Goals into Results: The Power of Catalytic Mechanisms

Harvard Business Review

Catalytic mechanisms are the most promising devices executives can use to achieve their big, hairy, audacious goals. *For the full text of this article, please contact Harvard Business Review.*

May 17, 1999

Few Hot Internet Companies Are Built to Last

USA Today

Only a small fraction of today's Internet companies will become powerful pistons in the economic engine of society.

1999

And The Walls Came Tumbling Down

Leading Beyond the Walls, a book edited and produced by the Peter F. Drucker Foundation for Nonprofit Management and published by Jossey-Bass books

The most productive relationships are partnerships rooted in a freedom of choice vested in both parties to participate only in that which is mutually beneficial and uplifting.

May 1998

Fear Not

Inc.

"Change or die," say many of the experts. "The reason to get better is that bad things will happen to you if you don't." Is that kind of fear a good motivator? Not for long.

October 1997

The Death of the Charismatic Leader (And the Birth of an Architect)

Inc.

This article is part of Inc.'s cover story, 'What Comes Next.' Jim Collins points out that an enduring great company has to be built not to depend on an individual leader, because individuals die or retire or move on.

October 1997

Forget Strategy. Build Mechanisms Instead.

Inc.

This article is part of *Inc.*'s cover story, "What Comes Next." Jim Collins says that to put your core purpose to work, you need mechanisms—the practices that bring what you stand for to life and stimulate change.

October 1997

It's not what You Make, It's what You Stand For

Inc.

This article is part of Inc.'s cover story, "What Comes Next?" Jim Collins says that concentrating on products—or services, if that's what you sell—is a trap.

August 1997

The Learning Executive

Inc.

Becoming a learning person involves responding to every situation with learning in mind.

May 1997

The Most Creative Product Ever

Inc.

The next wave of enduring great companies will be built not by technical or product visionaries but by social visionaries—those who see their company and how it operates as their ultimate creation and who invent entirely new ways of organizing human effort and creativity.

March 1997

Pulling the Plug

Inc.

Want to make room for all those new projects? Stop one thing you're doing right now.

December 1996

The Classics

Inc.

Jim Collins offers what he believes to be the complete guide to the best business and management books ever written.

September-October 1996

Building Your Company's Vision

Harvard Business Review (with Jerry I. Porras)

This *HBR* cover story explains how companies that enjoy enduring success have core values and a core purpose that remain fixed, while their business strategies and practices endlessly adapt to a changing world. *For the full text of this article, please contact Harvard Business Review.*

June 1996

Looking Out for Number One

Inc.

The board of directors you really need doesn't give a damn about your company.

January 1996

Book Value

Inc.

To judge by the best-seller lists, a lot of people think you can become a leader by reading books. You can—but they're not the ones you'd expect.

November 1995

Forward Thinking

Texas Business

Companies can refer to the Mary Kay Cosmetics book of management to find a business model for the 21st century.

May 29, 1995

Change is Good—But First, Know What Should Never Change

Fortune

Reengineering and other prevailing management fads that urge dramatic change and fundamental transformation on all fronts are not only wrong; they are dangerous.

January 1995

The Ultimate Vision

Across the Board (with Jerry I. Porras)

A dozen common myths are shattered as to how visionary companies become visionary.

1995

Building Companies to Last

Inc. Special Issue—The State of Small Business

In a world of constant change, the fundamentals are more important than ever.

October 1994

Companies Need not Hire Outside CEOs to Stimulate Fundamental Change

Directorship (with Jerry I. Porras)

A visionary company can tick along for centuries, pursuing its purpose and expressing its core values long beyond the tenure of any individual leader.

July 1993

Sometimes a Great Notion

Inc.

A surprising number of companies we consider great today did not start out with a compelling idea for a product or service.

July 1993 and March 1993

The Silicon Valley Paradigm and Why It Won

The Red Herring—Technology and Investing Monthly and *Stanford Business School Magazine*

Jim Collins compares two Silicon Valley business models.

Other articles: (abstracts and full articles not available)

October 28, 1994

Secrets of Outliving Competitors

USA Today (Money Section cover story)

September 5, 1994

Greatness that Endures

Industry Week (with Jerry I. Porras)

True visionary leadership means building a company that really lasts.

October 5, 1992

On the Edge with Jim Collins

Industry Week

An interview given by Jim Collins to *Industry Week's* Tom Brown.

Fall 1991

Organizational Vision and Visionary Organizations

California Management Review (with Jerry I. Porras)

June 1991

Is this any Way to Run a Business?

Stanford Business School Magazine (with William C. Lazier)