Climbing to Greatness with Jim Collins

by Art Kleiner

The management scholar put 1,435 good companies through a rigorous performance analysis and discovered only 11 became great. Here's why.

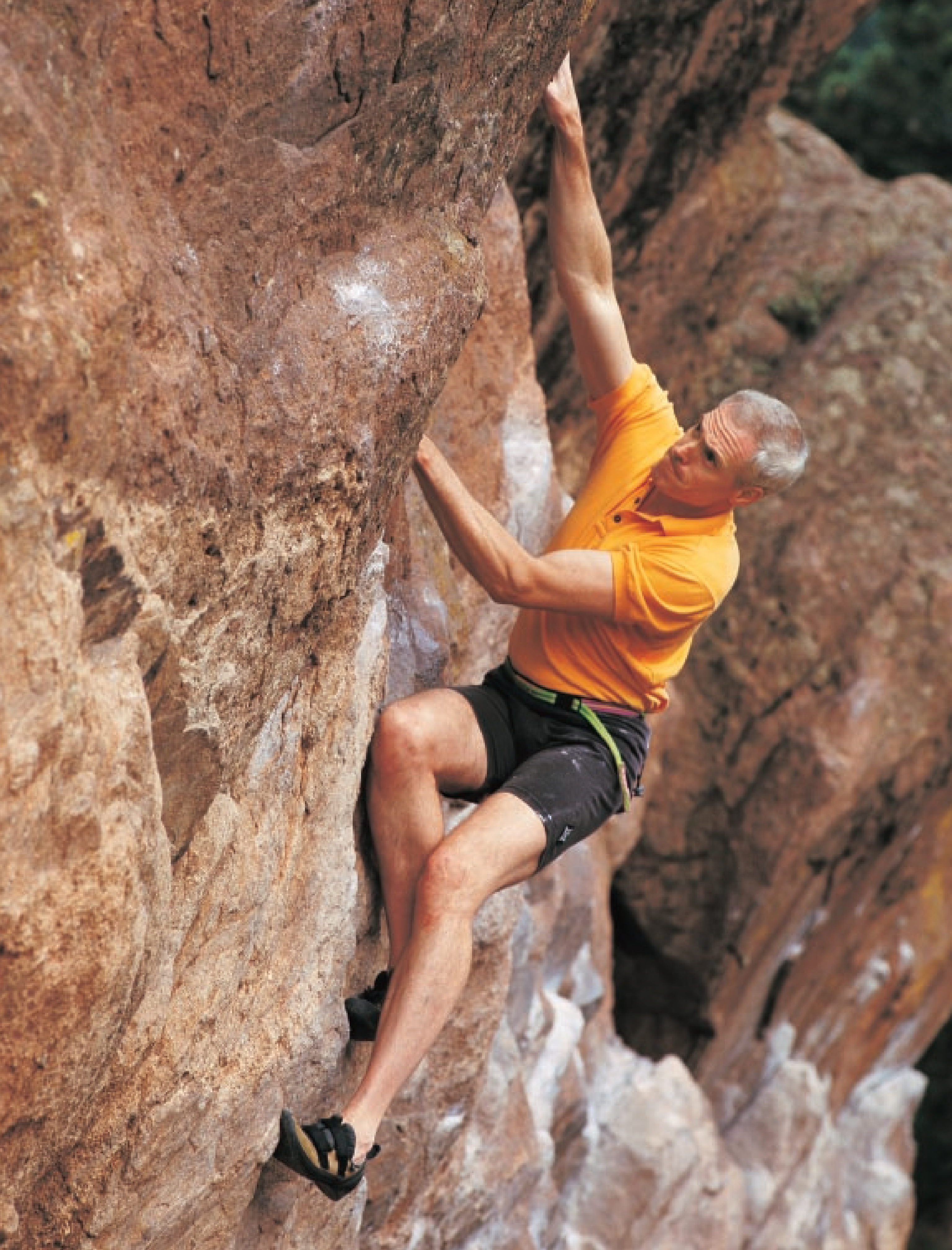
The most prominent thing in Jim Collins's conference room is a shelf, at eye level, holding a large framed photograph and five books in a pile. Though Mr. Collins is known as a management author, there are no business books among these five. But they are all central to understanding him.

On the bottom is an illustrated coffee-table book called *Climb!* Above that, a guide to the movies of Spencer Tracy. Then a group biography of the test pilots of the 1930s, pioneer aviators who embraced the risk of experimental aircraft. Next, there's a copy of *The Right Stuff* (Farrar, Straus and Giroux), Tom Wolfe's 1979 paean to the stoic resolve that American astronauts had inherited from test-pilot culture.

Finally, on the top of the stack is an autobiography called *Test Pilot* (Doubleday, Doran & Co., 1935), by Jim Collins's grandfather Jimmy Collins, for whom he was named. Jimmy Collins apparently had a fair amount of stoic resolve himself; he was chief test pilot for the Grumman military aircraft company during the 1930s, and Spencer Tracy portrayed him in the movie version of his book.

Jimmy Collins is also the subject of the framed photograph, taken in 1935, which shows him squatting in khakis by the wheels of a Grumman F3 biplane, his wavy hair parted in the middle, as handsome as a matinee idol. Next to him, bundled up apparently against the cold, is his son, a young boy in a woolen cap. The test pilot gestures at the photographer with his cigarette. He scowls mildly, perhaps irritated at the distraction of having his picture taken when there is so much work to be done. He looks ready to give his son one last quick

Photography by Joel Grimes



Art Kleiner (art@well.com) is the "Culture & Change" columnist for *strategy+business* and the author of *The Age of Heretics* (Doubleday, 1996). He teaches at New York University's Interactive Telecommunications Program. His Web site is www.well.com/user/art.

pat on the arm and get back to his next flight. As it happened, Jimmy Collins died that day; the F3 biplane crashed while he was testing it.

The small boy in the knit cap grew up to be Jim Collins's father, an artist who also died young, of cancer, in the early 1980s. The grandson became one of the dozen or so highest-rated rock climbers in the United States by his early 20s. ("I was never the best, but if there had been an Olympic climbing team, I probably would have qualified for the American trials," Mr. Collins says.) He went on to become a software entrepreneur, a Stanford Business School instructor, and the coauthor (with Stanford professor Jerry Porras) of the management bestseller *Built to Last: Successful Habits of Visionary Companies*, a comprehensive, intensively researched guide to the factors responsible for long, healthy corporate life, published in 1994.

Jim Collins, 43, is still in close touch with his friend and mentor Professor Porras. Fully detached from Stanford now that he has his own management laboratory, Mr. Collins published a new book in October 2001. Called *Good to Great: Why Some Companies Make the Leap … and Others Don't*, it is another obsessively researched business book, this time on the factors common to those few companies that overcame not just the sluggishness of their industries but the complacency of their own history to sustain remarkable success for a substantial period.

In an uncanny, almost eerie, way, the spirit of Mr. Collins's grandfather has hovered over the project since its inception. It's most noticeable in the insights about leadership, which attracted attention even before the book's debut, when Mr. Collins published an article on "Level 5 Leadership" in *Harvard Business Review* in January 2001. (Level 5 refers to the top of a five-tier hierarchy of leadership characteristics; a Level 5 Leader is someone who embodies a "paradoxical mix of personal humility and professional will.")

"The most effective leaders of companies in transition are the quiet, unassuming people whose inner wiring is such that the worst circumstances bring out their best," Mr. Collins says. "They're unflappable; they're ready to die if they have to. But you can trust that, when bad things are happening, they will become clearheaded and focused." According to *Good to Great*, if you want to lead a business that transcends its past mediocrity, you must be that type of person yourself. Otherwise, you had better find someone with the stoic resolve of the elder Jimmy Collins to run the business in your place.

Yet if you tried to say that Jim Collins deliberately invoked the spirit of his grandfather in this book, you'd get a fierce argument back, at least from his research associates. They had to fight to include the test-pilot-style leadership (Level 5 Leadership) among the book's precepts because the data required it, defying Mr. Collins's distaste for any conclusions about leadership at all. Moreover, the research was deliberately designed to nullify any of Mr. Collins's personal bias. Harvard Business School professor Morten Hansen, who consulted with Mr. Collins on the design of a credible research approach for *Good to Great*, offers this assessment: "It's very rare that people conduct a study aimed at managers following the best methods of academic research. This work has the potential to set a new standard for what we believe about management — and to establish principles for building long-term, not short-term, greatness."

That hard-edged, results-oriented research methodology, which is spelled out in a remarkably complete and accessible appendix in *Good to Great*, started with an analysis of stock market returns, but it led to asking a series of questions about virtue. How do we invest our time? Whom should we associate with? When should we tell the truth? How should we behave? The *Good to Great* research suggests there are correct answers to these questions, and that the right kinds of virtue will lead to sustained financial performance. But the right answers represent a significant change, in heart and mind, from the prevailing way in which most people in business currently work and live.

Seven Key Factors

Most business books start by asserting that some new precept or technique will lead to success. They then look for examples to prove it. Mr. Collins started from the opposite direction: He studied only companies whose cumulative stock returns over time showed that they had reliably gone from 15 years or more of nondescript performance to 15 years or more of performance that outpaced the general market by a factor of three or more, and where the leap was not due to the general industry trend. Of the 1,435 companies that appeared on the Fortune 500 list from 1965 to 1995, Mr. Collins found only 11 that met the criterion.

Some companies, like Coca-Cola Company and PepsiCo Inc., were not included because their industry had boomed along with them; others, like all the potential high-tech candidates, hadn't been around long enough to exhibit the necessary pattern of 15 years flat, then 15 years of accelerated growth. The companies that did qualify had to begin their breakthrough results no later than 1984 in order to produce the full 15 years of explosive performance. They are: Abbott Laboratories, Circuit City, Fannie Mae, Gillette, Kimberly-Clark, Kroger, Nucor, Pitney Bowes, Walgreens, and Wells Fargo. The 11th, Philip Morris, is one of the most reviled companies in the world, and yet it is the only company that met the criteria for both *Built to Last* and *Good to Great*.

Aside from Philip Morris, the good-to-great qualifiers tend to be nondescript, even dowdy companies, in unglamorous industries. "I take a lot of hope from our study," Mr. Collins says. "If Walgreens can move from mediocrity to greatness, then anyone can." Indeed, Walgreen Company's stock outperformed the market by a factor of seven to one during its growth years (1975 to 1990), beating corporate headliners like the Intel Corporation, Coca-Cola, and General Electric Company as well. (See Exhibit 1.) If you add in the results from 1990 to 2000, then Walgreens has outperformed the market by 15 to one since its transition — again, easily surpassing Intel, Coca-Cola, and GE.

Unlike *Built to Last*, which was, in effect, underwritten by the faculty positions that Mr. Collins and Professor Porras held at Stanford, *Good to Great* was independently researched and written. Mr. Collins held no faculty appointment, eschewed a publisher's advance, and rejected the popular punditry financing scheme of taking consulting jobs and then writing up the results. Instead, he spent $750,000 of his money to fund his own research lab in Boulder, Colo., in his childhood neighborhood. He rented space in his former elementary school, now converted into an office building; the conference room with his grandfather's photograph was his first-grade classroom.

Then he assembled an intrepid group of collaborative young graduate students from the University of Colorado for five years of in-depth investigation. Together, the team identified seven key factors that form the heart of the analysis, of which Level 5 Leadership is only one. The others include:

- **First Who ... Then What.** Good-to-great companies assemble a key team before setting strategy: "It is better to first get the right people on the bus, the wrong people off the bus, and the right people in the right seats, and then figure out where to drive," writes Mr. Collins.

- **The Stockdale Paradox.** Companies zoom past their competitors when they, like former Vietnam prisoner of war Admiral James Stockdale, combine

Exhibit 1: **Good-to-Great Company Performance Transitions**

Company	Performance Transition (T) Year	Year Qualifies as Good-to-Great Company (T Year + 15)	Performance T Year + 15: Ratio of Cumulative Stock Returns Relative to General Stock Market
Abbott Laboratories	1974	1989	3.98 times the market
Circuit City	1982	1997	18.50 times the market
Fannie Mae	1984	1999	7.56 times the market
Gillette	1980	1995	7.39 times the market
Kimberly-Clark	1972	1987	3.42 times the market
Kroger	1973	1988	4.17 times the market
Nucor	1975	1990	5.16 times the market
Philip Morris	1964	1979	7.06 times the market
Pitney Bowes	1973	1988	7.16 times the market
Walgreens	1975	1990	7.34 times the market
Wells Fargo	1983	1998	3.99 times the market

Source: ***Good to Great*** (HarperBusiness, 2001)

an unswerving faith in long-term success with the discipline to confront the most brutal facts about their current situation.

• **A Culture of Discipline.** Companies that combine a culture of high personal discipline with high individual autonomy and entrepreneurial behavior produce the best results.

• **Technology Accelerators.** Good-to-great companies are technologically savvy but never technologically driven; they always use technology as a means to an end. For example, they weren't the first to set up Web sites, but when they did, the sites were simple and practical.

• **The Flywheel.** Lasting transformations occur through a process in which changes, both small and large, build upon one another, like the momentum that results from the steady turning of a giant flywheel. This is far more effective than relying on a single event or motivational program.

• **The Hedgehog Concept.** The ancient Greek poet Archilochus wrote, "The fox knows many things, but the hedgehog knows one big thing." Companies succeed when they focus on one big purpose above all else, with three big components: becoming the best in the world at what they do; doing work about which people are passionate; and articulating a solid rationale for making money over the long haul. The rationale, in turn, is generally based on one key, carefully chosen business ratio. For instance, Fannie Mae focused not on profit per mortgage, but on profit-per-mortgage risk level; the Nucor Corporation on profit per ton of steel; Wells Fargo & Company on profit per employee; Circuit City Stores Inc. on profit per store; Kroger Company on profit per local population around each store; and Walgreens on profit per customer visit.

That key business ratio, says Mr. Collins's former collaborator, Jerry Porras, "is one of Jim's most substantial contributions. It's worth the whole book. Most managers couldn't tell you what the key denominator, the critical 'per something' in their business, would be if you asked. But having a clear sense of that is super critical."

Ideas like these seem reasonable, even obvious, when spelled out. But they are largely unpracticed in most companies. Moreover, they make most conventional management seem frivolous. As Mr. Collins puts it at the end of *Good to Great*: "Most of what we are doing [in business] is a waste of energy. If we … pretty much ignored or stopped doing [it], our lives would be simpler and our results vastly improved." In other words, no dramatic new programs. No reengineering. No flamboyant technological initiatives. No top-to-bottom downsizings.

And none of the *Sturm und Drang* that people associate with, say, a Lee Iacocca, a Stanley Gault, or an Al Dunlap, all of whom Mr. Collins singles out for stinging criticism. Mr. Iacocca is portrayed in *Good to Great* as a promoter of his ego over the Chrysler Corporation's long-term health; Mr. Gault as someone who fostered Rubbermaid Inc.'s dependency on him, so much so that it could not survive his leaving; Mr. Dunlap as beneath contempt. Commenting on the high-profile Jack Welch, Mr. Collins notes that all the good-to-great leaders produced better results than Mr. Welch, some by a significant margin.

The Level 5 Leader embodies a different kind of personality; this is a person who puts the advancement of the company above his or her own reputation, who tends to attribute his or her success to luck but accepts all responsibility for meeting challenges, who operates with strength and humility, and who builds loyalty and trust through quiet but purposeful action.

Becoming Great

"Good is the enemy of great," says Mr. Collins to the 200-plus assembled faculty, students, and alumni from the Wharton School of Business at the University of Pennsylvania. It's a morning in May 2001; he is the sold-out keynote speaker at the school's annual conference on leadership. "Most people will look back and realize they did not have a great life," he says to the crowd, "because it's just so easy to settle for a good life." He adds that most people don't think it's even possible to move from mediocrity to greatness: Those who are great are born great, aren't they?

Onstage, Jim Collins is the kind of speaker Pinocchio might have grown up to be, after gaining humanity. Mr. Collins is a boyish and energetic figure, but as he begins his talk he stands stiffly and a bit awkwardly, pronouncing his words at first with the clipped, precise tones of the software engineer he once was. Then he starts telling a story, and suddenly his arms and shoulders acquire the grace and fluidity of a man who is — and lives with — a great athlete. Mr. Collins's wife, Joanne Ernst, is a Stanford MBA who won the 1985 Hawaii Ironman Triathlon. (She may be best known for her appearance in a Nike ad that same year saying, "And by the way, stop eating like such a pig.") He refers to her as "the person I work for."

"We've been married 20 years and we have 50–50 ownership," he says. "But she holds all the voting shares." Actually, Mr. Collins makes no major decision without the unanimous agreement of a triumvirate consisting of Ms. Ernst, Mr. Collins himself, and his long-standing research associate, Brian Bagley — a group he refers to as his "executive council."

The centerpiece of Mr. Collins's talk on leadership this May morning is a CEO he considers one of the greatest of the century: Darwin Smith, chief executive of the Kimberly-Clark Corporation from 1971 to 1991. As he moves further into his presentation, Mr. Collins becomes thoroughly engaged in an improvisational give-and-take with his audience.

Asking for a show of hands, Mr. Collins establishes that no one in the audience has ever heard of Darwin Smith; then he launches into another story of a dream he had while writing *Good to Great*. "I hear a knock on the door and there is Darwin. With those nerdy Coke-bottle glasses. And the haircut that never quite worked. And a suit that looks like he bought it at J.C. Penney. He stares over the threshold at me and says, very solemnly, 'I don't like you making me a hero. Please take me out of the book.' "

Mr. Collins goes on to tell the crowd that Darwin Smith disliked personal publicity, and asked reporters to write about Kimberly-Clark instead. Mr. Collins observes that Darwin Smith always acted as if he weren't quite qualified for the CEO job, but produced greater performance than any CEO before him. Diagnosed with throat and nose cancer just after he became CEO in 1971, Mr. Smith went on working, commuting weekly from Wisconsin to Houston for radiation therapy; he beat the cancer back and stayed on as CEO for 20 years.

When he first took on the CEO job at Kimberly-Clark, Darwin Smith asked two simple questions. First, Why have we been so mediocre for 100 years? Second, Is there anything Kimberly-Clark could be best at in the world? Mr. Smith then led an internal quest to find out whether the company, a gradually declining producer of coated paper, had any prospects at all for world-class excellence. It took management a while to recognize they had a unique asset: Their sideline Kleenex brand had achieved such dominance that it had become a generic name for soft tissues. "We're probably not going to be the best paper company," Mr. Collins recounts them deciding. "But maybe we can be the best consumer paper company."

To go head-to-head with Procter & Gamble Company, they sold off all their paper mills — 75 percent of the company's business — including the mills in the founding family's hometown of Kimberly, Wis. (Mr. Smith took on the job of selling those himself). Today, Mr. Collins says, Kimberly-Clark is the No. 1 worldwide producer of consumer paper products; it beats P&G in six out of the eight product categories in which they compete. "I would say Darwin Smith was qualified for the job," Mr. Collins remarks.

Again, Mr. Collins asks his audience for a show of hands: "How many have worked with a Level 5 Leader?" About half the hands go up. From the expressions on people's faces, it's clear they treasure the experience. "And how many feel you could become a Level 5 yourselves?" No hands go up.

Then a voice from the audience asks if Mr. Collins thinks he's a Level 5 himself. "My father was both incompetent and indifferent as a parent," replies Mr. Collins. "That left me with a tremendous need for attention. To be really Level 5–like, eventually, I will have to overcome that. Am I capable of it? I don't know. But [after working on this book], I know why it's important to try."

Later, while he is mingling with a group at the front of the room, a young human-resources manager approaches Mr. Collins and asks him to sign her copy of *Built to Last*. "Ah," he says, "if I were truly a Level 5 Leader, I wouldn't have even put my name on the book." (She replies, "But you're not Level 5 yet, so sign it now.") In another conversation, Mr. Collins is asked to name a current CEO who has the earmarks of a Level 5 Leader. He names two: AOL Time Warner Inc. CEO Gerald Levin and the Starbucks Corporation CEO Orin Smith. (Neither company made the *Good to Great* cut, because their accelerations occurred too recently for the requisite 15 years.)

Mr. Collins says, "Orin is the only executive I've ever met whom I could have worked for. He's a man with tremendous integrity." Mr. Smith, for his part, gives a Level 5–like reply to the compliment: "I'm flattered, because he's talked with a lot of CEOs. I would also add that I don't look at myself that way. [Being CEO] is a job that, in some ways, I try to figure out how to do every day." He says that the Level 5 concept "made us look more carefully at the people in our own organization who haven't had their heads up in a very visible sense. We are beginning to develop a more systematic awareness of people who tend to be invisible, and I am sometimes surprised by their accomplishments." Indeed, Mr. Smith and Mr. Collins both argue that there are more individuals with Level 5 personalities and skills in positions of responsibility than most people think.

People clearly connect with the Level 5 concept; at the Wharton conference, many attendees come up to Mr. Collins and share with him names of Level 5 Leaders they know from all walks of life. Although it's the most visible part of his research, Level 5 Leadership is also the least developed and tested. The idea of a hierarchy of leadership competencies with the Level 5 executive at the top (followed in descending order by effective leader, competent manager, contributing team member, and highly capable individual) didn't emerge from the study, but from conversations among his researchers. Nor is it clear yet what characteristics in the Level 5 Leader are the crucial ones. Is the modesty important? Or is it the stoic resolve to pursue a goal to its end? Or is it both?

The Good Seeds

Jim Collins's childhood was spent on the edge between bohemia and the middle class; his father had moved to

San Francisco's Haight-Ashbury district in the mid-1960s to be close to the hippie scene. Mr. Collins spent three years there as one of the few white students in his elementary school. "Very few of us blond-haired, blue-eyed white males ever experience being in a minority and having to adapt to someone else's culture. For probably 10 years or so after that, whenever I met a black person, I noticed that my first instinct was to assume that this person was better than me." He returned to Boulder with his mother after his parents divorced, and he realized he never wanted to be dependent on adults again. "When I was in eighth grade, I decided to escape my family with my brain," recalls Mr. Collins. He decided then and there he wanted to go to Stanford University and deliberately made his own "good to great" transition — from mediocre to excellent report cards — in ninth grade, just when test scores and grades would begin counting toward college.

Sure enough, he was accepted to Stanford in 1976, and majored in mathematical sciences. To support himself, he ran a rock-climbing school: "My real education was at Yosemite." Then came another epiphany. "I looked at the people in the computer center and thought, 'I do not want to spend my life with these people.'" That led to an MBA at the Stanford Business School, where he was a student in Professor Porras's Interpersonal Dynamics course. He immediately stood out. "His rock-climbing background was unique," Professor Porras recalls. "He knew how to take risks and make tough decisions."

During a 1981 stint at McKinsey & Company's San Francisco office, Mr. Collins worked briefly with Tom Peters and Robert Waterman on the project that later became the book *In Search of Excellence* (Harper & Row, 1982); after that he worked at Hewlett-Packard Company as a product manager for the personal computer line, but corporate life didn't suit him. ("The company felt like a Soviet Empire," he says.) He left HP and spent several years managing his wife's triathlon career and starting a short-lived venture in expert systems software for managing health and fitness.

In 1989, he returned to Stanford to teach a course on entrepreneurship. He discovered he was a gifted teacher, with a knack for listening to people and helping them recognize the implications of their ideas. He was also noticeably intent on wasting neither his own time nor that of his students. His classes were full of innovations like the "red flag" — each student got one chance per semester to stop the class discussion in its tracks and say something. He took his students seriously — so much so that he was deeply angered with his "built to flip" students, as he called them, those who cheerfully proclaimed they wanted to become entrepreneurs just to sell out and get rich quick.

A Level 5 Leader puts the advancement of the company above his or her own reputation and builds loyalty and trust through quiet but purposeful action.

"I had a mental image of pinning them against a wall, physically, and saying, 'You have so much talent. You can do better than that,' " Mr. Collins says.

By his second year at Stanford, he began to feel he was "feeding my students cyanide." He taught the Apple Computer case, for instance, as a great success story, when it was already clear that Apple's luster had faded. What, he wondered, was the real source of Apple's initial success? And what if that success had come despite its management practices, instead of because of them?

Mr. Collins placed an article that year in the *San Jose Mercury* business section about how important to a company's success it is for a leader to clearly articulate his firm's mission. At that time, Jerry Porras had been engaged in his own exploration of what he called organizational purpose. "I read the article and called Jim to arrange a meeting to discuss what he meant by mission and what I meant by purpose, and whether the two were the same or different," Professor Porras recalls. Mr. Collins jumped at the chance to work with him, and the research idea evolved from there. Together they framed the original question, but Professor Porras provided the academic cover for the project. Indeed, Professor Porras says he knew of no tenured faculty member who had ever teamed up with a lecturer to pursue a research project of this magnitude. The pair solidified their "Built to Last" partnership, which lasted five years.

They polled CEOs, asking which companies they thought were the most visionary in the world, and then read every article they could find about those companies to cull common factors. The result was a list of built-to-last companies whose performances, with their ups and downs, have stood the test of time: 3M, American Express, Boeing, Citicorp, Ford Motor, General Electric, Hewlett-Packard, IBM, Johnson & Johnson, Marriott, Merck, Motorola, Nordstrom, Philip Morris, Procter & Gamble, Sony, Wal-Mart, and Walt Disney. The authors' meticulous research revealed themes that have since become well-known catchphrases: "big hairy audacious goals," the balance between "preserving the core and stimulating progress," and the idea of "Clock Builders" (leaders who develop innate organizational capacities instead of merely "telling time").

Perhaps the most significant innovation in *Built to Last* was the sustained use of comparative analysis. Mr. Collins and Professor Porras did not just investigate Boeing Company and General Electric; they studied and compared them to respectable, but lesser-performing, competitors, like the McDonnell Douglas Corporation and Westinghouse Electric Company — a method Mr. Collins also applied in his new book. This allowed them to eliminate the factors that seem to explain success, but don't truly distinguish the winners. Or, as Mr. Collins put it, "Every built-to-last and good-to-great company has tall buildings." The trick is to find factors that mediocre companies *don't* have.

The Enemy of Great

During the years of intensive collaboration with Professor Porras to produce *Built to Last*, Mr. Collins gave up most of his consulting income. He and his wife lived in a small Palo Alto cottage on an annual income of $33,000, living more frugally than many of his students. Meanwhile, he refused to get a Ph.D. ("I thought it would screw up my thinking") and made no secret of his contempt for the specializations (or, as he called them, the "churches") of management theory. Unsurprisingly, when the book was done, he no longer felt welcome on Stanford's campus. He was tempted to launch a consulting career based on the precepts he and Professor Porras had discovered, and he took on a few clients, Starbucks being one. But he knew that consulting, like academic work, would force him into a pigeonhole and make it difficult to keep the open mind necessary to ask and answer genuine questions. As *Built to Last* became a bestseller, he gained the means to move back to Boulder and begin to research a new "big hairy audacious" question.

He waited two years to find out what that question would be. Then, at a dinner party in San Francisco, a management consultant collared him and complained that *Built to Last* was "useless" for companies that didn't start out great. What advice did Mr. Collins have for mediocre companies that wanted to dramatically improve themselves? Were they doomed forever to second-class performance?

Now there was a question: How could he help people go from mere goodness to greatness? This question was particularly compelling for a perfectionist like Mr. Collins, who had spent his life championing greatness in himself, his wife, his students, and the world around him — a man who is still sorting out with his wife whether to have children, because they believe that people who aren't willing "to commit absolutely to being great parents have no business bringing a child into the world."

He chose for his research team bold, curious students who wouldn't settle for just any answers. "He always looked for people who could tell him, 'Jim, you're wrong,' " recalls his associate Brian Bagley. "He told me he was worried that, because I was a Mormon and an Eagle Scout, I'd follow orders too well."

The team took the name Chimps, because of Mr. Collins's own spirited chimpanzee-like demeanor. Chimps, they decided, were good role models: They are unruly, irreverent, energetic, creative, and, most of all, inquisitive. Pictures of Curious George began to appear around the conference room. Altogether, 21 Chimps worked on the job, usually five per year, performing such tasks as analyzing stock-price statistics, gathering articles, scheduling and conducting interviews, doing massive amounts of coding, and fact checking the numbers in the book. They read and coded every published article they could find about the 11 good-to-great companies, while researching 17 other companies they had selected for comparison.

Though the Chimps never all met together until Mr. Collins held a "Chimp Summit" late last year, during the project, the Chimps on duty met at least weekly to try to make sense of what they had discovered. Mr. Collins had final say, but he depended heavily on their insights. Indeed, the Chimps were all passionately committed to the idea of greatness and held collective responsibility for their conclusions.

It was the Chimps who championed the inclusion of the Level 5 Leadership concept, because they noticed the CEOs of companies they had worked for and studied shared these qualities. Mr. Collins, with his skepticism about the connection between leadership and corporate success, resisted listening to what the Chimps had to say, until they demanded he start paying attention to the data. "We've all made choices in life based on what we've learned here," says Chimp researcher Leigh Wilbanks. "At my first job out of business school, I looked at the top and asked, 'Is there Level 5 Leadership?' Then I said, 'Okay, this is not where I belong.' "

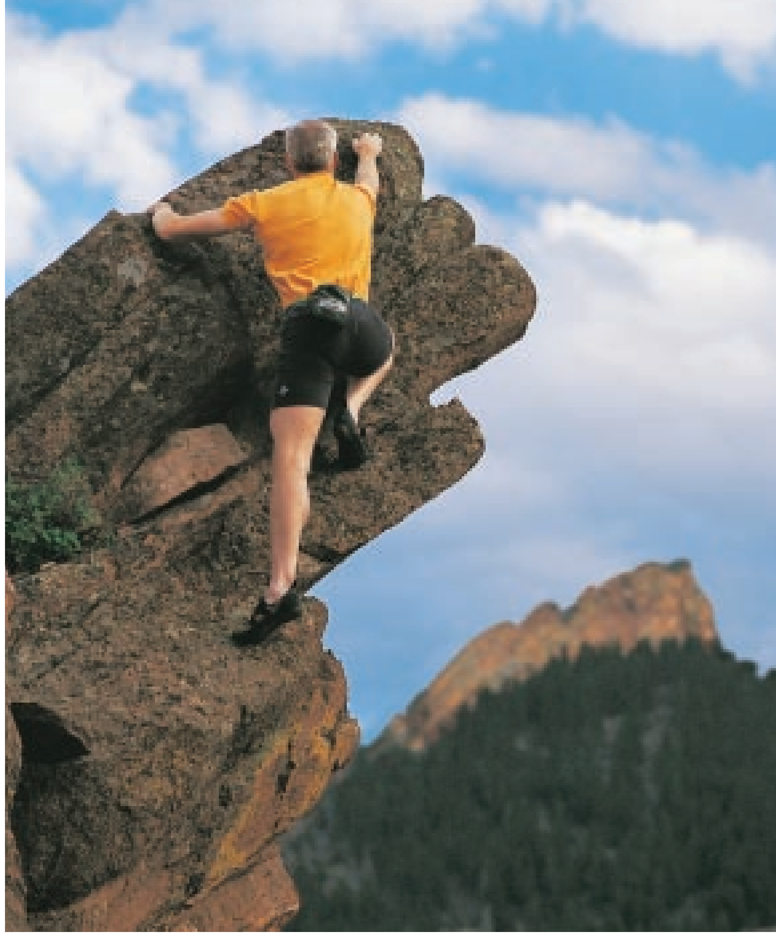
Questions, Not Answers

Already, there is one nascent investment fund hoping to specialize in the 11 good-to-great companies. A few consulting firms are beginning to develop good-to-great practices. But Mr. Collins is not working with, or endorsing, any of them. He refers to his own clients as "students" and calls his work "teaching." Meanwhile, the good-to-great companies are largely unaware that they have been included in this elite group of high performers, and for many, the events that Mr. Collins lionizes seem like ancient history.

"Colman Mockler [former Gillette CEO and a Level 5 Leader profiled in *Good to Great*] died 10 years ago. The members of the team from those days are simply not still here," said a representative from Gillette, declining a request for an interview. "I frankly think the current management is more focused on the return and recovery of the Gillette business." Other good-to-great companies, including Nucor and Abbott Laboratories, have also experienced difficulties, whereas some continue to demonstrate their remarkable performance gains.

Then there is the special case of Philip Morris. Mr. Collins himself is ambivalent about a company that is both an ardent marketer of cigarettes and a longtime and generous supporter of community services and the arts. "My father died of bladder cancer, which was very likely linked to smoking. So I can't like Philip Morris. But it made the clinical selection in both books."

Although Philip Morris's good works and non-tobacco consumer brands have become an increasingly



visible part of its marketing, it can't avoid controversy associated with its tobacco business. Coincidentally, just as *Good to Great* was poised to applaud Philip Morris, news broke about a report the company commissioned arguing that cigarette consumption would not be a drain on the Czech economy so long as the government could save on medical and housing costs for people dying prematurely of cancer and other tobacco-related diseases.

Unquestionably, good-to-great management practices are embedded deeply in the company's culture, including the virtuous qualities of Level 5 Leadership. "One of the worst tags you could get [here] is to be a self-promoter," said Philip Morris Senior Vice President of Corporate Affairs Steve Parrish in an interview recently. "Our chairman, Geoff Bible, comes across as a very shy, low-profile guy. His attitude [on matters of public affairs] is often, 'Gee, why would anybody want to hear from me about that?' "

And there is also a fairly strong version of the Stockdale Paradox at play, including the resolve to never give up, no matter how strong the opposition. According to members of the good-to-great team, Philip Morris executives who were interviewed spoke of having a "Masada complex," after the community of Jewish zealots who resisted a Roman siege for years and chose suicide rather than capture and assimilation at the end.

Quite possibly, these forms of stoic resolve, and even its deferential Level 5–like public manner, contribute to Philip Morris's reputation for intransigence. Ultimately, the presence of Philip Morris in the book could reveal the unintended problems of a good-to-great corporate style. Could the same qualities that lead to financial success — the stoic, disciplined, understated, and insular (First Who … Then What) approach to life — also make executives in these companies, no matter how well-intentioned they are, less sensitive to ethical issues and more impervious to the outside world?

On the other hand, perhaps a Level 5 Leader can pursue, in an unassuming flywheel-like fashion, virtuous corporate goals and their own goals for personal growth. And the more Level 5 Leaders there are in a company, the better the chances this positive momentum will build. Indeed, Mr. Collins's greatest contribution may have been to articulate a developmental path for successful business practice that brings out the Level 5 in each of us, even if we don't have the example of a test-pilot grandfather to contemplate.

"How do you get to be Level 5?" Mr. Collins mused recently. "I don't know if it can be learned. I think of the climbers I know, and how they respond under pressure. Part of that can be learned by putting yourself under pressure, and some of it is just innate. We still don't know as much about leading a great company as we need to know. Come back and ask me in 10 years." +

Reprint No. 01405

Resources

Jim Collins, *Good to Great: Why Some Companies Make the Leap … and Others Don't* (HarperBusiness, 2001)

James C. Collins and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies* (HarperBusiness, 1994)

Jim Collins, "Level 5 Leadership: The Triumph of Humility and Fierce Resolve," *Harvard Business Review*, January 2001; www.hbsp.harvard.edu/hbr/

Jim Collins's Web site: www.jimcollins.com