

Jim Collins on Creating Enduring Greatness

A Career Built on Ideas that Help Businesses Reach Their Peak Performance

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Jim Collins, who wrote such best-sellers as *Built to Last*, *Good to Great* and *How the Mighty Fall*, says his own company is not built to endure.

Collins, 52, has devoted years to studying enduring great companies, discerning why some succeed wildly while competitors with even better products or ideas plod along or flame out.

One of his many mentors, business-management guru Peter Drucker, advised Collins early on that he would have to make a choice: building an organization that lasts, or ideas. Collins chose ideas.

“There’ve been lots of opportunities to build a big organization, institute, consulting firm, and all those things are fine and good. But Peter said, ‘You have to choose,’” Collins tells *SUCCESS*. “And so that’s why I decided, basically, to keep everything small and focus on the research, which has been a very good decision.”

During a distinguished teaching career at Stanford Graduate School of Business, Collins was struck by a concept taught by one of his mentors—that life could be a work of art. The notion that entrepreneurship could be not only a business idea, but a life idea, intrigued him.

“You can either follow a paint-by-numbers-kit approach to life and do what everybody thinks you should do and stay within the accepted lines,” says Collins, “or you can decide you want to create a masterpiece and start with a blank canvas. It might not ever turn into a masterpiece, but the only way you can hope for a masterpiece is starting with a blank canvas.”

So, in 1995, Collins founded his ChimpWorks management laboratory in Boulder, Colo. Since then, his research has helped many companies, entrepreneurs, nonprofits and individuals in their quests for greatness.

He’s also helped companies identify their own failings. Collins’s work was quoted by none other than Toyota President Akio Toyoda, who apologized last October for his company’s recent losses and said Toyota was in the fourth of five stages of corporate decline, “grasping for salvation,” as outlined in Collins’s latest book, *How the Mighty Fall: And Why Some Companies Never Give In*.

Blindsided by Success

It was Collins's 2001 best-seller, *Good to Great: Why Some Companies Make the Leap... and Others Don't*, that catapulted him into the success stratosphere. The product of a five-year research project, the book has sold some 3 million hardcover copies. Collins writes that the research shows "greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice."

Far from being blinded by *Good to Great's* success, Collins says it was more like he was "blindsided" by it. "I did not expect it at the level that it came, and I found it enormously difficult to manage," he says. "Always be careful with what you wish for, by the way."

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Although he taught entrepreneurship and was prepared for pretty much every possible scenario for failure in business, he faced other adjustments, too. Collins and wife Joanne Ernst (his "strategic brain," while he is the "creative" of their enterprise) had trouble sitting down to dinner without discussing work. "To learn how to say, 'We're going to talk about what we think about the plot in that movie last night,' rather than the strategic question was a necessary skill to learn. And we did learn it."

Their solution was to form a small council that included a third person. Since the third council member wasn't at dinner every night, business questions were tabled for discussion when all three could get together, usually once a week.

Fifteen years after starting ChimpWorks, Collins says he doesn't feel successful. Just lucky. In fact, he advocates being wary of success, especially when it comes early.

The businesses that have endured often didn't have glorious startups, he writes. Think of Sony and its inauspicious beginning— operating out of a bombed-out Tokyo department store in 1946 trying to sell rice cookers made of primitive wooden pails with aluminum electrodes that either over- or undercooked rice. And the Japanese are particular about their rice.

"If you struggled early, you're humbled from the beginning because you didn't have enormous success," he says. "If you were successful at the beginning, maybe you were just lucky. The great danger if you're successful early is you might attribute success to your own supreme qualities: 'We're really good. We're really smart.' And, when your luck runs out, I'm sorry, you're really in trouble."

Slow Climb to Greatness

While Collins's books focus primarily on Fortune 500 companies, the research findings are applicable to

any-size company. His first major book, *Built to Last: Successful Habits of Visionary Companies*, was originally written with the entrepreneur in mind, Collins says.

In the six-year research project that resulted in the book, Collins and co-author Jerry I. Porras went back in time to the “big bang” of former startups and trace their evolutions to becoming titans. Marriott hotels started out with a single A&W root beer stand. George Merck had a family apothecary before Merck & Co. became a pharmaceutical giant. Starbucks had five stores for 13 years, and Nike took years before it broke \$1 million in revenue. The only thing overnight about Walmart’s success was the public’s awareness. For the first seven years, Sam Walton had two stores. “Of course, Walmart today is the largest business in human history,” Collins says.

He likens these companies to missiles shot from under water. People above water are only aware of them once they pierce the surface, but they had been climbing for some time.

Collins’s work proves there are no single breakthrough events that lead to superior performance and greatness. And he adamantly rejects most trendy prescriptions for large-scale corporate change as being no more than myths.

“The good-to-great companies had no name, tag line, launch event or program to signify their transformations. Indeed, some reported being unaware of the magnitude of the transformation at the time,” Collins writes in *Good to Great*. “Yes, they produced a truly revolutionary leap in results, but not by a revolutionary process.”

In *Good to Great*, his research teams studied the performance of more than 1,400 companies over 40 years and whittled that field down to 11 great companies. Then, they found comparison companies that failed to make the leap, despite starting out with equal or even greater advantages.

Early on in the *Good to Great* research, Collins insisted his research team downplay the role of top executives to avoid attributing all credit or blame to the leader. But in identifying the common traits of great companies, researchers kept coming back to great leadership, particularly a type they described as Level 5 that defied conventional wisdom.

A Surprising Discovery

“We were surprised, shocked really, to discover the type of leadership required for turning a good company into a great one,” Collins writes. “Compared to high-profile leaders with big personalities who make headlines and become celebrities, the good-to-great leaders seem to have come from Mars. Self-

effacing, quiet, reserved, even shy—these leaders are a paradoxical blend of personal humility and professional will. They are more like Lincoln and Socrates than Patton or Caesar.”

At first glance, the Level 5 traits seem contrary to those possessed by the typical entrepreneur, who has the ego, confidence and audacity to strike out on his own. For those entrepreneurs who worry they can't even fake personal humility, Collins says they can still build a great company. He offers Walt Disney as an example.

“Walt Disney was an enormously egotistical person. He was a typical controlling, creative, ego type. But in the end, Disney is still here today. Walt Disney eventually said, *I'm building something that is channeling into the imagination, channeling into the idea of making kids happy and channeling into the idea of sheer perfection in how we execute the idea for its own sake.* So, yes, he had all those typical entrepreneurial, crazy, idiosyncratic, personal-controlling tendencies, but Disney the company had a larger role, and he built around that,” Collins says.

Another very different Level 5 leader was Lincoln, whose example is instructive for others enduring tough times today. “He was wrestling with the greatest tumult in our history, and he's making decisions that were essentially re-founding our country in many ways. He's making decisions that are going to lead to 625,000 American dead in the end,” Collins says.

“And yet, even though Lincoln was an enormously ambitious person, what gave him the fortitude to do it all was, in the end, it wasn't about him. He really believed that the role of America was the last best hope on earth. And it had to stay intact, no matter what.”

Making It Through the Storm

Leadership calls for suffering and struggle, Collins says, and even the great companies are vulnerable to decline. The idea for his latest book, *How the Mighty Fall*, came about because Collins was curious how once-great companies had fallen, including some enterprises profiled in his previous books. He wanted to help leaders see the warning signs of decline so they could avoid a tragic fate and reverse course. In the four-year research project, he and his team concluded decline is mostly self-inflicted and recovery is largely within the company's control.

Collins's next project is about turbulence and how to endure and prevail when the rest of the world is spinning out of control. Meantime, he has some survival advice for those struggling now. An avid climber, Collins uses the example of a friend who nearly died in a storm on top of a mountain. Like that friend, he says, businesses need a plan to live. If you don't make it through the storm, the rest doesn't matter.

“No. 1: Luck favors the persistent, so you have to stay alive to be able to get lucky again. I’d make a plan to live. I really mean it. Sit down, right now, and say, ‘We’re going to make a plan to live, plan to survive. What are the things we need to do to make sure we come through this alive?’ ” he says.

Secondly, figure out what you should stop doing. Before the crisis, when companies were flush, they got distracted into ventures they shouldn’t be in. Now is the time to narrow the focus to those things that make your business distinctive, the core of your company’s success.

Finally, once the question of survival is settled, seize the opportunity to improve the caliber of your team members so your business is stronger in the future. In a small business, every hire is critical, he says. If you can only have five employees, you want all them to be top-notch so they can operate as an elite squad.

And once you achieve a measure of success, says Collins, “always worry that it will go away tomorrow. Always worry you were just lucky. Always worry that you didn’t deserve it and you weren’t that good. And, you better get to work right away. You’re never, ever comfortable you deserved it. And you’re going to have to work hard to deserve the success you’ve already obtained.”

‘What Have You Contributed?’

At 52, Collins has outlived both his father and grandfather. His father died of cancer at 48, and his grandfather, a test pilot, died at 30 in a crash. And Collins hopes his best work is still ahead of him.

The night before he gave the keynote address for the [Peter F.] Drucker Centennial at Claremont Graduate University, he went over to his mentor’s archives. The bookshelf held all 39 of Drucker’s books in chronological order. At age 65, Drucker had only written one-third of his total books.

“I loved the image that at age 65, you still have two-thirds of your best work ahead of you,” Collins says.

With a grandmother who lived to 99, he believes there’s a good chance he’ll live a long life as well. “But you never know,” he says.

“The way I look at it is that, with everything you do, it could all end tomorrow. What have you contributed? You can’t think about your own success if you don’t exist anymore.”