Interview with Jim Collins

Many nonprofit leaders are familiar with the concepts of Jim Collins' best seller Good to Great, which was published in 2001 and by early 2006 had sold 2.5 million copies in North America alone. In fact, at numerous speeches and in classrooms and coaching sessions—including an event sponsored by Bridgestar in December 2004—social sector leaders have expressed to Collins a deep interest in applying the good-to-great principles to their own work. This demand, combined with his strong personal commitment to serve society, motivated Collins to spend two years developing “Good to Great and The Social Sectors,” a monograph that explores the application of the good-to-great framework to the realities of organizations not in the for-profit sector.

Bridgestar is proud and excited to bring to you this Q&A with Jim Collins, in which he shares his thoughts on topics related to nonprofit leadership, and discusses a particular advantage nonprofits have in attracting great people: mission focus.

Bridgestar: What drove you to write Good to Great and the Social Sectors?

Jim Collins: While Good to Great is categorized as a “business book,” we found that somewhere between a third and a half of our readers come from the social sectors—from the arts, religious institutions, K-12 schools, universities, cause-driven nonprofits, police departments, government agencies, nonprofit hospitals, and even military units. It’s been a delightful and welcome surprise.

Yet all this correspondence came with a persistent set of questions. How do you define and assess greatness without business metrics? How do you think about leadership in complex and diffuse governance and power structures, where no single executive has the concentrated power of decision? How to think about the right people on the bus in the context of tenure and volunteers? How to think about an economic engine in the absence of a profit motive? How to generate sustained momentum and resources in the absence of rational capital markets?

Then one day at lunch in Boston, Tom Tierney of the Bridgespan Group put forth a challenge: if I had only a few years to work, what one piece of work should I do? (I expect to work at least another forty years, but still, the question is always good to consider.) I paused, and then Tom offered a suggestion: a piece on nonprofits and the social sectors. Tom sent me a huge stack of information, highlighting the impending transfer of wealth into the social sectors and the need for rigorous thinking and tools to help the nonprofit leaders build great organizations.

I eventually came to see that if we only have great companies, we will merely have a prosperous nation, not a great one. And so I became a passionately curious student: how would the good-to-great concepts come to life in the context of nonprofit realities quite different than business?

What insights specific to the nonprofit sector does this work reveal that were not part of the original Good to Great?

Collins: Working on the monograph taught me that there are significant differences between the business and social sectors. For instance, in business, money is both an input (a resource for achieving greatness) and an output (a measure of greatness). In the social sectors, in contrast, money is only an input, and not a measure of greatness. When we try to measure the success of nonprofits based on simple financial metrics -- such as the percentage of budget spent on management, overhead and fundraising -- we're making the fundamental mistake of confusing inputs and outputs. In business, it makes perfect sense to measure greatness by cumulative returns to investors (the money output), whereas in the social sectors the critical question is, "How effectively do we deliver on our mission and make a distinctive impact, relative to our resources?"

Another Aha! moment came when we recognized the distinction between "executive" leadership (found more in business) and "legislative" leadership (found more in the social sectors). In business, a single individual often has enough concentrated power to simply make executive decisions. Sam Walton could make decisions for Wal-Mart, and the company would follow; after all, it was his company. In the social sectors, composed of a much more complicated governance and power structure, rarely do we find a single individual—not even the nominal chief executive—with enough concentrated power to make the big decisions by himself or herself. Instead, he or she must architect the conditions for the right decisions to happen, through the power of language, and coalition, and shared interests, and artful persuasion; it's more like being Johnson in the Senate, where you are but one of a hundred Senators, and if you try to "lead the Senate" like a corporate CEO, you will fail.

There are a number of additional observations that came clear to us when setting the social sectors in contrast to the business sector, yet two overarching points stand out to me. First, the primary path to greatness for the social sectors is not to become "more like a business;" the critical difference is not business versus social, but great versus good. Second, both business and social sectors have advantages and disadvantages, but on net, the differences cancel each other out; we can find pockets of greatness in nearly any segment of society.

You emphasize that greatness is not about bringing business practices to nonprofits, but rather about discipline (a characteristic critical to great organizations whatever their sector). How can organizations that are highly collaborative in nature develop equally highly disciplined processes?

Collins: Discipline and collaboration can go hand in hand. Think about scientific inquiry, for example. Scientists collaborate all the time, yet the best never compromise the discipline of the scientific process. Indeed, under the right conditions and with the right mechanisms, collaboration increases discipline, as you will be held accountable for high standards by your peers and colleagues.

It all starts with creating a culture of discipline, composed first and foremost of the right people—self-disciplined people who engage in disciplined thought and who take disciplined action. If you're in the cello section of the Cleveland Orchestra, which must operate as a unified group, you simply cannot blow your sequences. You must perform, with excellence and discipline, or you will not survive.

I find it puzzling how people frequently make the artificial distinction: business = disciplined whereas nonprofit = collaborative. In fact, most businesses also lack a culture of discipline; a culture of discipline is one of the key distinguishing traits of great companies in contrast to mediocre companies. Discipline characterizes greatness, across many fields—great artists, great musicians, great Buddhist monks, great school teachers, great academic departments, great sports teams, great medical institutions, great police departments and great nonprofits. Discipline is not a business idea; it is a greatness idea.

The monograph makes an important distinction between the "economic engine" of a for-profit and the "resource engine" of a nonprofit. What drives the resource engine of a nonprofit?

Collins: In Good to Great, we found that the fundamental driver in a business economic engine is a single ratio—profit-per-"x" —and that the best results come when you discover your economic ratio. Walgreens, for instance, found that profit-per-customer visit drove its economic engine, and Wells Fargo Bank found that profit-per-employee best drove its economic engine. By building their businesses consistent with their one underlying economic profit-per-x ratio, they were able to generate superb financial results which, in turn, enabled them to generate sustained cash flow and have access to rational capital markets.

The same idea does not carry directly to the social sectors, which exist to meet social objectives, human needs and national priorities that cannot be priced at a profit. We suggest in the monograph that instead of an economic engine driven by "profit-per-x," the social sectors might best operate by a resource engine composed of three components: “time” (how well you attract people willing to contribute their efforts for free, or at rates below what their talents would yield in business), “money” (sustained cash flow), and “brand” (how well your organization can cultivate a deep well of emotional goodwill and mind-share of potential supporters). Again, we come back to one of the key differences between the business and social sectors: money as an input—a resource for achieving results and impact—not an output in and of itself.

How should a start-up nonprofit plan for greatness from the ground up?

Collins: I do not have rigorous research to share on start-ups. I would suggest, though, that we need to be careful to not confuse greatness with scale. Big does not equal great and great does not equal big. You can have a highly-localized hedgehog concept, building something small and great. We should be skeptical of the whole idea that scale and impact are correlated one for one, and in some instances, scale might be negatively correlated with results and impact. A high-school principal would do better to define results and impact in terms of academic performance and transformation of young people into capable adults that can best contribute to the local community; it would be absurd to think of greatness in terms of size.

How can an established nonprofit identify the opportunities that are likely to drive the organization to greatness?

Collins: A great organization is one that delivers superior results and makes a distinctive impact over a long period of time. The key question is “What do we mean by great results?” Don’t get hung up on whether the results are measurable, and don’t confuse easy-to-measure inputs (such as overhead rate) with results. It doesn’t really matter whether you can quantify your results. What matters is that you rigorously assemble evidence—quantitative or qualitative—to track your progress.

The hedgehog concept from Good to Great, translated into the social sectors, can be a useful lens:

> Circle 1: what you are deeply passionate about;
> Circle 2: what you can be the best at within the communities you touch;
> Circle 3: what best drives your resource engine.

When you combine clarity of your hedgehog concept with the discipline to say “no, thank you” to resources and opportunities for impact that fail the three circle test, you will be on your way toward greatness.

Most important: keep clear the difference between inputs and outputs, and remain focused on making improvements in the outputs. What do you mean by great performance? Have you established a baseline? Are you improving? If not, why not? How can you improve even faster toward your audacious goals?

You place great emphasis on "getting the right people on the bus" as a key driver of greatness. What can you tell our readers about how to find (and keep) the right people?

Collins: The best leaders we studied take the approach: "Let's take the time to make rigorous A+ selections right up front. If we get it right, we'll do everything we can to try to keep them on board for a long time. If we make a mistake, then we'll confront that fact, so that we can get on with our work and they can get on with their lives." Early assessment mechanisms turn out to be as important as hiring mechanisms. There is no perfect interviewing technique, no ideal hiring method; even the best executives make hiring mistakes. You can only know for certain about a person by working with that person.

The right people meet at least three basic criteria:

1. The right people share the core values of the organization. People often ask, "How do we get people to share our core values?" The answer is: you don't. The key is to find people who already have a predisposition to your core values and to create a culture that so rigorously reinforces those values that the viruses self-eject. An organization can teach skills, but not character.
2. The right people don't need to be tightly managed, nor do they require that you "motivate" them. The comparison companies in our research—those that failed to become great—placed greater emphasis on using incentives to "motivate" otherwise unmotivated or undisciplined people. The great companies, in contrast, focused on getting and hanging on to the right people in the first place—those who are productively neurotic, those who are self-motivated and self-disciplined, those who wake up every day, compulsively driven to do the best they can because it is simply part of their DNA.
3. The right people understand that they do not have "jobs"; they have responsibilities. Think of it this way: if an air traffic controller said, "I did my tasks correctly today" but the airplanes crashed, would that be good enough? The right people focus less on the task list and more on the outcome for which they are responsible (e.g. getting the airplanes up and down safely). There is simply no place in a great organization—in the social sectors or in business—for people in key seats who cannot deliver on their commitments.

Be rigorous, not ruthless. To be ruthless means hacking and cutting, especially in difficult times, or wantonly throwing people off the bus without any thoughtful consideration. To be rigorous means consistently applying exacting standards. As we point out in the monograph, the more selective the process, the more attractive a position becomes—even if volunteer or low pay. We learned that the social sectors have one compelling advantage over business in getting the right people: desperate craving for meaning in our lives. Purity of mission has the power to ignite passion, and commitment.

What are the best ways to develop nonprofit leaders?

Collins: This is perhaps the central question for the nonprofit sector. Yet one thing is clear: it will not work to mindlessly import business leaders directly into nonprofit roles as the primary solution. We will need tools and education to help these people acquire the legislative skills required to be effective in the nonprofit sector.

So, instead of giving an answer, allow me to suggest a method to gain an answer. I would suggest a study of effective nonprofit leaders, with a special emphasis on comparing leaders who made a successful shift from business to nonprofits in contrast to others who did not make a successful shift in comparable circumstances. Why did some succeed and others not? What does this teach us about what separates those who become effective nonprofit leaders from those who do not? And how can those lessons best be deployed, so that we have a vast army of nonprofit executives ready to lead from good to great?

The late Peter Drucker, founder of the Peter F. Drucker Foundation (now the Leader to Leader Institute), said, "It is not business, it is not government, it is the social sector that may yet save the society." As you know, he was passionate about developing leadership for the sector. Do you agree with his assessment?

Collins: I'm convinced that the social sectors stand at least as important as the business sector for building a great nation and a robust, healthy society.

What has been the response to the monograph thus far?

Collins: We did the monograph as an experiment. What do you do with something that is too large to be an article, but too small to qualify as a book? We came up with the idea of the monograph as the solution. For me, the most gratifying response has been from social sector leaders who feel that it accurately captures some of the essential differences between the business and social sectors. I felt a bit of anxiety in putting out the monograph, as I do not consider myself an expert on the social sectors, but a passionate student—and I still have a lot to learn!

Bridgestar (www.bridgestar.org), an initiative of the Bridgespan Group, provides a nonprofit management job board, content, and tools designed to help nonprofit organizations build strong leadership teams and individuals pursue career paths as nonprofit leaders.