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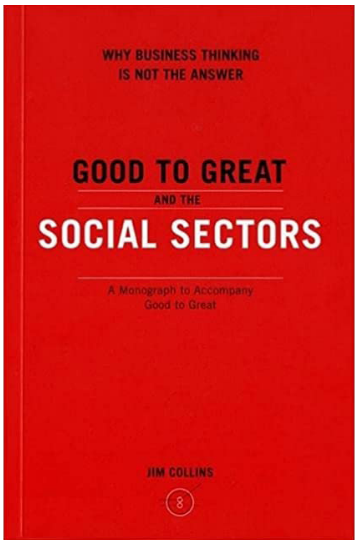

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Jim Collins began his research and teaching career on the faculty of Stanford's Graduate School of Business. In 1996, he founded his management laboratory, where he conducts research and works with leaders in the corporate and social sectors.

Good to Great and the Social Sectors

THE NUTSHELL

Jim Collins 2005

The critical distinction is not between business and social, but between great and good. We need to reject the naive imposition of the "language of business" on the social sectors, and instead jointly embrace a language of greatness. Good-to-great principles do indeed apply to the social sectors, perhaps even better than we expected. However, particular questions crop up repeatedly from social sector leaders facing realities they perceive to be quite different from the business sector. I've synthesized these questions into five issues that form the framework of this piece.

Issue One: Defining "Great". A great organization is one that delivers superior performance and makes a distinctive impact over a long period of time. For a business, financial returns are a perfectly legitimate measure of performance. For a social sector organization, however, performance must be assessed relative to mission, not financial returns. In the social sectors, the critical question is not "How much money do we make per dollar of invested capital?" but "How effectively do we deliver on our mission and make a distinctive impact, relative to our resources?"

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. If the evidence is primarily qualitative, think like a trial lawyer assembling the combined body of evidence. If the evidence is primarily

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quantitative, then think of yourself as a laboratory scientist assembling and assessing the data.

Issue Two: Level 5 Leadership. The complex governance and diffuse power structures common in non-business lead me to hypothesize that there are two types of leadership skills: executive and legislative. In executive leadership, the individual leader has enough concentrated power to simply make the right decisions. In legislative leadership, on the other hand, no individual leader—not even the nominal chief executive—has enough structural power to make the most important decisions by himself or herself.

Legislative leadership relies more upon persuasion, political currency, and shared interests to create the conditions for the right decisions to happen. And it is precisely this legislative dynamic that makes Level 5 leadership particularly important to the social sectors.

Level 5 leadership is not about being "soft" or "nice" or purely "inclusive" or "consensus-building." The whole point of Level 5 is to make sure the right decisions happen—no matter how difficult or painful—for the long-term greatness of the institution and the achievement of its mission, independent of consensus or popularity.

Issues Three: First Who. In the social sectors, when big incentives (or compensation at all, in the case of volunteers) are simply not possible, the First Who principle becomes even more important. Lack of resources is no excuse for lack of rigor—it makes selectivity all the more vital.

There are three fundamental points in the selectivity process. First, the more selective the process, the more attractive a position becomes - even if volunteer or low pay. Second, the social sectors have one compelling advantage: desperate craving for meaning in our lives. Purity of mission—be it about educating young people, connecting people to God, making our cities safe, touching the soul with great art, feeding the hungry, serving the poor, or protecting our freedom—has the power to ignite passion and commitment. Third, the number-one resource for a great social sector organization is having enough of the right people willing to commit themselves to mission. The right people can often attract money, but money by itself can never attract the right people. Money is a commodity; talent is not. Time and talent can often compensate for lack of money, but money cannot ever compensate for lack of the right people.

Issue Four: The Hedgehog Concept. When we examined the Hedgehog Concepts of the good-to-great companies, we found they reflected deep understanding of three intersecting circles: 1) what you are deeply passionate about, 2) what you can be the best in the world at, and 3) what best drives your economic engine. Social sector leaders found the Hedgehog Concept helpful, but many rebelled against the third circle, the economic engine. The third circle of the Hedgehog Concept shifts from being an economic engine to a resource engine. The critical question is not "How much money do we make?" but "How can we develop a sustainable resource engine to deliver superior performance relative to our mission?"

A great social sector organization must have the discipline to say, "No thank you" to resources that drive it away from the middle of its three circles. Those who have the discipline to attract and channel resources directed solely at their Hedgehog Concept, and to reject resources that drive them away from the center of their three circles, will be of greater service to the world.

Issue Five: Turning the Flywheel. This is the power of the flywheel: Success breeds support and commitment, which breeds even greater success, which breeds more support and commitment—round and around the flywheel goes. People like to support winners!

Good to Great and the Social Sectors

Yet despite the differences between business and social sector economics, those who lead institutions from good to great must harness the flywheel effect. Whereas in business, the key driver in the flywheel is the link between financial success and capital resources, I'd like to suggest that a key link in the social sectors is brand reputation—built upon tangible results and emotional share of heart—so that potential supporters believe not only in your mission, but in your capacity to deliver on that mission.

Social sector leaders pride themselves on "doing good" for the world, but to be of maximum service requires a ferocious focus on doing good only if it fits with your Hedgehog Concept. To do the most good requires saying "no" to pressures to stray, and the discipline to stop doing what does not fit.

Great business corporations share more in common with great social sector organizations than they share with mediocre businesses. And the same holds in reverse. Again, the key question is not business versus social, but great versus good. I do not mean to discount the systemic factors facing the social sectors. They are significant, and they must be addressed. Still, the fact remains, we can find pockets of greatness in nearly every difficult environment. Every institution has its unique set of irrational and difficult constraints, yet some make a leap while others facing the same environmental challenges do not. This is perhaps the single most important point in all of *Good to Great*. Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice, and discipline.