# Tom sawyer questions and answers chapter 6

In an in-depth interview, we asked Collins about the implications of his research and ideas for the economy, the stock market, and the very nature of executive leadership. The big-sized companies he wrote about all achieved remarkable results on the stock market over a 15-year period. But today, the stock market has gone down. Does that mean we won't see any good companies today? First, I want to correct a big mistake. The stock market hasn't gone down. What does the stock market look like in relation to 1985? The stock market hasn't gone down. What does it look like in relation to 1990? The stock market hasn't gone down. The market was irrationally out of control, we didn't have a stock market; we had a speculative casino. The technological bubble was not the new economy, there is a new economy that has been going for years to a deeper level. But the brutal fact is that the companies that were at the top of the tech bubble had no results. You can't make zero profits and claim you have results. For companies that performed greatly before the bubble burst, they are now in a period of inactivity, but so what? The bottom line in a company like Cisco is that we still don't know the answer. It could be that these companies are in a very difficult period of 6 to 12 months. Let me use an analogy. Let's say you have a great basketball dynasty like the UCLA Bruins under John Wooden. This is a team that will win 10 NCAA championships in 12 years. They're a team that went from good to big. But in 1970, they lost three games. Does that mean we're going to cancel them and say they're not a great team? We have to look for a longer period of time. The same goes for companies that got caught up in the bubble. It was too short a period of time. It's going to take longer to say which companies that are in trouble now are simply going through a momentary period and will have the resilience to come back. But for many entrepreneurs, the current slowdown is a sign of the demise of the new economy. This is one of the most wonderful moments in history. Two or three years ago, what was the biggest complaint we heard? It's so hard to get good people! Whine, whine, whine! Today, we have the biggest chance we're going to have for decades to catch a boat, not a bus, but a boat full of people. And big companies always start with who, not what. We can finally get to the right side of the Packard Act. Packard law is like a law of physics for large companies. He says no company can become or remain large if it allows its rate of income growth to exceed its growth in getting adequate in a sustainable way. It is one of those timeless truths that transcend technology and economics. Now, instead of trying to accumulate capital, we can accumulate people. If I had a company today, there would be priority over everyone else: acquire as many of the best people as I could. I would postpone everything else if I could afford it—buildings, new projects, R&D—to fill my bus. Because things are coming back. My steering wheel is going to start spinning. And the biggest restriction on my organization's growth and success is not the markets, it's not technology, it's not the opportunity, it's not the stock market. If you want to be a great company, the biggest limitation of your ability to grow is the ability to reach and hold on to enough suitable people. This is also a great time to force yourself to look back. When you were violating the Packard Act, you probably let a lot of the wrong people get on the bus. This is a good time to take them off. In fact, it's a little easier to do that now. We can blame him for the circumstances. What else would you do to capitalize on this reassessment period? This is also a great time to ask yourself some very difficult questions. In a moment of irrational prosperity, where the market would give you money, delivered or not, many companies have not answered any of the questions in all three circles (How can we be the best in the world? What is the economic denominator that best drives our economic engine? And why are our central people deeply passionate?). They had no concept of what they could do better than any other company in the world that was sustainable, had no profit denominator, and the only thing they had a passion for was flipping the company. Now we can no longer live in that fantasy land. We have to take a look at all the things we're doing and put them all to the test of three circles. Anything that fails the test we have to stop doing—today. I see a lot of companies that found a lot of capital. So he got into all sorts of acquisitions or new companies or new directions, just because they could. But they didn't necessarily fit into all three circles. Today, the task is to have them listened to. Those who clarify their three circles will come out of this very well. Those who don't deserve to die. Today's CEOs have little time to prove their worth. What advice would you give a CEO in the hot seat? If I were a CEO in the hot seat taking control of a company that wanted to go from good to big, here's what I would do. I'd take that stock table from good to big, and put it in front of my directors. I'd say, we're on the left side of this curve. We want to be on the right side of the curve. Right? If that's what we all want, we know what it takes to get it. You can't keep stalking from CEO to CEO. If you do that, you'll find yourself in the Doom Loop, and then we'll end up as one of the companies comparison, not as one of the big companies. I don't think all directors are stupid. Most they are intelligent, but they are operating out of ignorance rather than a lack of good intention. We have to hit them on the head with the empirical results. Our job is to beat the market in a sustainable way over time. We have to think about the share price over a five-year period. And we have to start doing all the things it takes to get the steering wheel to turn. Finally, if I'm the CEO, I want the board to give me the following security: Long or short that it's my tenure as CEO, whoever I choose as my successor needs to pick up that flyer in full response and keep pushing in a consistent direction. I can only get the steering wheel to turn at 16 RPM. But my successor has to take it to 100 RPM. Its successor has to take it to 500 RPM, and its successor at 1,000 RPM. It's not about me as CEO, it's a commitment to a consistent program. We're not going to do a Doom Loop.The CEOs that took their companies from good to big were largely anonymous, far from the famous ceos we read. Is that an accident? Or is it cause and effect? I think it's more of a matter of cause and effect than an accident. There is something directly related between the absence of celebrity and the presence of good to great results. Why? First, when you have a celebrity, the company becomes the only genius with 1,000 helpers. It creates the feeling that this is all really about the CEO. And that leads to all sorts of problems, if the person leaves or if the person turns out not to be a genius after all. On a deeper level, we discover that for leaders to do something great, their ambition has to be for the greatness of work and business rather than for themselves. That doesn't mean they don't have ego. Doesn't mean they don't have needs of themselves. It means that at the point of decision after decision-making—at the critical juncture where Option A would favor their ego and Option B would favor the company and its work—again and again those leaders choose Choice B. Celebrity CEOs, at those same decision points, they are more likely to favor ego over company and work. Like anonymous CEOs, most companies that made the transformation from good to large are not on site. What does that tell us? The truth is, most people aren't working on the most glamorous things in the world. They're doing a real job, which means most of the time they're doing a lot of heavy lifting with just a few points of excitement. Some people are taking out baked bread. Some are building retail stores. The real work of the economy is done by people who make cars, who sell real estate, who run supermarkets and banks. So one of the great findings of this study is you can be in a big company and do it in steel, in pharmacies, in grocery stores. It's just not the case that if you're not in Valley, you're not great. It doesn't matter where you are. So no one has the right to complain about your company, your industry or the type of business you're in, ever again. Were the 11 companies that made the transformation benefited by their anonymity? One of the great advantages these companies had was, no one cared! Kroger began his transition; Nucor began his transition; nobody expected much. They could subpromise and over-explode. In fact, if I took over a company and tried to make it go from good to big, I would tell my vice president of communications that his job was to make the whole world think we were constantly on the brink of doom. In the course of our study, we actually print the transcripts of the CEO's presentations to analysts by good companies to large and comparison companies. We read all that. And it's amazing. Good people to the big ones always talk about the challenges they face, the programs they're building, the things they care about. You go to comparison companies, they're constantly promoting the, they're selling the future, but they're never paying results. If I'm not ceo, how do lessons apply from good to big to me? Big-good concepts apply to any situation, as long as you can choose the people around you. That's the crucial thing. But fundamentally, we really do: we have a lot of discretion about the people in our lives, the people we decided to leave on our bus, whether in our department at work or in our personal lives. But the basic message is this: Build your own steering wheel. You can do it. You can start generating momentum in something you have responsibility for. You can build a great apartment. You can build a great church community. You can take each of the good ideas to great ones and apply them to your own work or to your own life. What did your study teach you about business change in general? Is it essentially a message to get back to basics? Very rarely do significant changes lead to results in a sustainable way. That's one of the really important findings in the book. We started with 1,435 companies. And 11 companies did. Let's look at that fact for a moment. The fact is, it doesn't happen very often. Why not? Because we don't know what the hell we're doing! And since we don't know what we're doing, we jump into all sorts of things that don't produce results. We ended up as a group of primitives dancing around the campfire singing on the moon. What I feel firmly is that we need some science to understand what it really takes to change things. Going back to basics? No, it's straight to comprehension. Why do you go back to basics that CEOs should be ambitious for their companies and not for themselves? Why is it going back to basics to do who and people ask first and what and where do they ask second? Since when do we go back to the basics for a company start with a question like, Why have we sucked for 100 years, and what are the brutal facts we have to face? Why is it back to basics to say that stop-do lists are more important than to-do lists? And since when has it gone back to basics to say that technology is just an accelerator and not a creator of anything? I don't think those concepts are back to basics. Because if they are, we should be able to go back in time and find out that people used those ideas. People didn't, so there's only 11 out of 1,435. So no, it's not going back to basics. It's forward to understanding. What is your assessment of the new economy? We've seen a lot of changes, and we've seen a lot of reaction to change. How do you make sense of all this? The tremendous changes that are taking place around us make it the most exciting time in history to be alive. It's very fun. All these changes—changes in technology, globalization—are brutal facts that must be integrated into any decision we make. The people of Walgreens didn't ignore the Internet because they focused only on the basics. They faced the brutal fact of the Internet and then asked: How does it fit into our three circles, and how can we use it to turn our steering wheel faster? You never ignore changes: you hit them head-on like brutal facts, or you come to them with a great sense of joy and excitement. This change, this new technology opens up a way for you to prevail, to be even better as a company. All the good companies to the big ones made changes and used them in their favor, often with great joy. When new pianos arrived, Mozart did not hang his music. He did not say: There are these new pianos! The code is out of the way, so I'm bathed as a composer! He thought: This is great! I can do it out loud with piano forte! This is really cool! He maintained the discipline of writing great music and, at the same time, embraced with great joy and emotion the invention of pianos. With all the change around us, we have to be like Mozart. We maintain great discipline over our music, but at the same time, we embrace things that can allow us to make even greater music. Alan M. Webber (awebber@fastcompany.com) is a founding editor of Fast Company. Jim Collins (jimcollins@aol.com) wrote the essay Built to Flip in the March 2000 edition of Fast Company. His new book, Good to Great: Why Some Companies Make the Leap... And others won't, they'll be available in October. October.