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Things fall apart chapter 18 questions and answers

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 good companies to large companies he wrote about all the remarkable results of the stock market over a 15-year period. But today, the stock market has fallen. Does that mean we won't see big companies today? First of all, I want to correct a big misconception. The stock market is not down. How does the stock market look relative to 1985? The stock market is not down. What does it look like in relation to 1990? The stock market is not down. The market was irrationally out of combat - we didn't have a stock market; We had a speculative casino. The tech bubble wasn't the new economy - there's a new economy that's 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 that you have results. In the case of companies that had great results before the bubble burst, they are in a low period now, but what? The conclusion of a company like Cisco is, 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 are a team that went from good to great. But in 1970, they lost three games. Does that mean we're going to write them down and say they're not a great team? We need to look at it for a longer period of time. The same goes for companies that were trapped in the bubble. It was too short a period of time. It will take longer to tell which companies that are in trouble now are simply going through a momentary period and will have resilience to return. 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 ever. Two or three years ago, what was the most important complaint we hear? It's so hard to get good people! Whine, whine, whine! Today, we have the greatest opportunity we will have for decades to ensanquir a boatload - not a bus cargo, but a boatload - of great people. And big companies always start with whom, not what. At last we can get to the right side of Packard's Law. Packard's Law is like a physics law for large companies. He says no company can become or remain large if it allows its growth rate in revenue to outperform its growth by getting the right people in a sustainable way. Is of these timeless truths that transcend technology and economics. Now, instead of trying to accumulate capital, we can accumulate people. If I were running a company today, I should have priority above all others: acquire as many of the best people as I could. I would turn everything else off if I could afford it - buildings, new projects, R&D - to fill my bus. For things to come back. My steering wheel will start spinning. And the single biggest constraint on the growth and success of my organization 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 big company, the single biggest limitation in your ability to grow is the ability to get and hold on to enough of the right people. This is also a great time to force yourself to look back. When you violate Packard's Law, you probably let a lot of people wrong on the bus. This is a good time to get them out. In fact, it's a little easier to do this now. We can blame him for the circumstances. What else would you do to capitalize on this revaluation period? This is also a great time to ask yourself some very difficult questions. At a time of irrational prosperity, where the market would give you money whether it is delivered or not, many companies had not answered any of the questions in all three circles (What can we be the best in the world at? What is the economic denominator that best drives our economic engine? And what is our core of deeply passionate people?). They had no concept of what they could do better than any other company in the world that was sustainable, they had no profit denominator, and the only thing they had passion for was flipping the company. Now we can no longer live in this fantasy land. We need to take a hard look at all the things we're doing and put them all to the three-circle test. Anything that fails proof that we need to stop doing – today. I see a lot of companies that came across a lot of capital. So they wandered into all sorts of acquisitions or new companies or new directions simply because they could. But they didn't necessarily fit within the three circles. Today, the task is to prune away. Those who clear their three circles will come out of this very well. Those who do not deserve to die. Today's CEOs find themselves with little time to prove their worth. What advice would you give to a CEO in the hot seat? If I were a CEO in the hot seat taking over a company that wanted to move from good to big, that's what I would do. I'd take this good-to-great stock chart, and I'd put it in front of my directors. I would say: We are 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 will take to achieve it. You can't keep lurking from CEO to CEO. If you do, you'll find yourself in the Doom Loop - and then we'll end up as one of the comparison companies, not one of the big companies. I don't think all be stupid. Most of the they are intelligent, but they are operating out of ignorance rather than a lack of good intention. We need to hit them over the head with empirical results. Our job is to beat the market in a sustainable way over time. We need to think about the price of the shares over a five-year period. And we need 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 assurance: However long or short my tenure as CEO, whoever chooses how my successor should pick this steering wheel in half a turn and keep pushing in a coherent direction. But my successor has to take it to 100 DPRks. It's not about me as CEO – it's about a commitment to a consistent program. Let's not make a Doom Loop.The CEOs who took their companies from good to large were largely anonymous - a far cry from the famous CEOs we read. Is it an accident? Or is it cause and effect? I think it's more a matter of cause and effect than an accident. There is something directly related between the absence of celebrities and the presence of good to great results. What? First, when you have a celebrity, the company becomes the only genius with 1,000 followers. It creates the feeling that it's all really about the CEO. And that leads to all sorts of problems – whether the person disappears or if the person turns out not to be a genius after all. On a deeper level, we found that because leaders do something great, their ambition should be for the greatness of work and enterprise rather than for themselves. That doesn't mean they don't have an ego. That doesn't mean they have no needs. This means that at the point of decision after decision point - at critical junctures when Pick A would favor his ego and choice B would favor the company and its work - time and again leaders choose Choice B. Celebrity CEO, at those same decision points, are more likely to favor self and ego over enterprise and work. Like anonymous CEOs, most of the companies that made the transformation from good to large are not hereded. What does that tell us? The truth is that most people are not working on the most glamorous things in the world. They are doing a real job – which means most of the time they are doing a lot of drudgery with just a few points of excitement. Some people are putting bread in the oven. Some are building retail stores. The real work of the economy is done by people who make cars, who sell real estate, who run grocery stores and banks. So one of the great conclusions of this study is that you may be in company and be doing it in steel, in pharmacies, in grocery stores. It's just not the case that if you're not in Vale, you're not okay. It doesn't matter where you are. So no one has the right to talk about their company, their industry, or the type of business they are in - ever again. Were the 11 companies that benefited the transformation because of their anonymity? One of the great advantages that these companies had, nobody cared! Kroger began his transition; Nucor began its transition; Nobody expected much. They could subpromize and overfree. In fact, if I were taking over a company and trying to make it go from good to big, I would tell my vice president of communications that his job was to make everyone think that we were constantly on the brink of condemnation. In the course of our study, we actually printed the transcripts of CEO submissions to analysts by good companies at large companies and comparison companies. We read all these. And it's amazing. Good people always talk about the challenges they face, the programs they are building, the things they care about. You go to comparison companies, they are constantly hypnotized themselves, they are selling the future – but they are never offering results. If I'm not CEO, how do good lessons apply to great for me? Good to large concepts are applicable 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 decide to leave on our bus, whether it's in our department at work or in our personal lives. But the basic message is this: Build your own steering wheel. You can do that. You can start building momentum into something for which you have responsibility. You can build a great department. You can build a great church community. You can take each of the ideas from good to great and apply them to your own work or your own life. What has your study taught you about business change in general? Is it essentially a message to go back to basics? Very rarely do significant changes ever lead to results in a sustainable way. This is one of the very important findings of the book. We started with 1,435 companies. And 11 companies did. Let's see this 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, they throw us into all sorts of things that don't produce results. We end up like a handful of primitives dancing around the campfire singing on the moon. What I feel strongly about is that we need some science to understand what it really takes to change things. Back to basics? No, it's forward to understanding. Why does it go back to the basics of saying that directors should they be ambitious for their companies and not for themselves? Why do you go back to the basics to do the who and people wonder first and what and where do you ask second? Since when do you go back to the basics for a company to start with a question like, Why have we sucked for 100 years, and what are the brutal facts we have to face? Why do you go back to the basics to say that stop-doing lists are more important than to-do lists? And since when has he gone back to basics to say that technology is just an accelerator and not a creator of anything? I don't think these concepts go back to basics. Because if they are, we should be able to step back in time and find that people use these ideas. People don't – so there are only 11 out of 1,435. So, no, it hasn't gone back to basics. It's forward to understanding. What is your assessment of the new economy? We've seen a lot of change, and we've seen a lot of backlash against change. How do you make sense of all this? The enormous changes that are taking place around us make it the most exciting time in history to be alive. It's so much fun. All these changes –changes in technology, globalisation- are brutal facts that must be integrated into the decisions we make. The people of Walgreens don't ignore the Internet because they were 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 – hit them head on like brutal facts, or you come to them with a great sense of glee and emotion. This change, this new technology opens up a way to prevail, to be even better as a company. All the big companies took changes and used them in their favor, often with great glee. When new pianos arrived, Mozart did not hang up his music. He didn't say: There are these new pianos! The harpsichord is out of the way, so I'm washed as a composer! He thought, This is so cool! I can do it out loud with piano forte! This is really neat! He maintained the discipline of writing great music and, at the same time, embraced with great joy and excitement the invention of the 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 bigger 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 issue of Fast Company. His new book, Good to Great: Why Some Companies Make the Leap... And others won't, it will be available in October. October.