



Review: Good to Great and the Social Sectors
A Monograph by Jim Collins
Originally written November 2010, updated November 2014
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A fellow consultant urged me to read a short monograph.

Good to Great and the Social Sectors, by Jim Collins, is a 28 page document designed to read in concert with his well-known book *Good to Great*. *Good to Great* is a staple of business school syllabi for helping students identify what separates great businesses from good businesses. But having not read the related book until months later, I can vouch for the fact that the monograph stands on its own.

My bottom line review is to urge every nonprofit leader I know to read it.

But for those who don't have the time and need more, here's my brief summary of the five essential points Collins makes.

Defining Great. Great nonprofits relentlessly evaluate results based on the outcomes they are seeking from their mission-related work. They ask how effectively they are delivering on their mission. Are they making a distinctive impact relative to their resources?

Collins acknowledges that unlike businesses, which measure results in money, the evaluation process for nonprofits is **much** harder. But he emphatically denies that this means it shouldn't be attempted.

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

Level 5 Leadership. Great nonprofits, like businesses, have leaders who exemplify "Level 5 Leadership." In examining leaders across the business and nonprofit sectors, Collins says great leaders demonstrate a combination of personal humility and professional will, along with a tremendous ambition *for the cause*.

What makes Level 5 leadership particularly important in the nonprofit sector, even more so than business, is the necessity to wield power in a diffuse power structure, involving boards, coalitions, stakeholders, and others.

First Who. Collins argues that great nonprofits, like great businesses, place a significant focus on making sure the “right people are on the bus.” That means rigorous hiring practices and, even more importantly, an early assessment mechanism designed to weed out underperforming staff.

He acknowledges the challenges facing nonprofits in dealing with employment turnover – and the difficulty of hiring and firing people who are working for low salaries out of belief in the cause. Yet, he argues that nonprofits who achieve greatness place such high loyalty on achieving their mission that their leaders are willing to do the uncomfortable: letting go mediocre employees and shedding unproductive board members.

The Hedgehog Concept. Collins suggests that great organizations have tremendous clarity about how to produce the best long term results, and then exercise relentless discipline to say “no” to opportunities that fall outside their core.

That core involves evaluating 1) what you are deeply passionate about, (2) what you can be the best at, and (3) what drives your resource engine (where can you get time, money, and brand commitment).

The critical challenge in applying the Hedgehog Concept is how to answer these questions in ways that reinforce each other, rather than ways that are in conflict. Put in negative terms: If what you’re best at isn’t what you’re passionate about, your organization will not reach expectations. If your method of bringing in dollars is in conflict with your passions and skill-set, it will breed organizational inefficiencies.

Turning the Flywheel. A flywheel is one that once it gets moving, generates its own momentum. A great business tends to attract more capital to fund future growth. Likewise, a great nonprofit has a brand that attracts resources and commitment necessary to build a strong organization.

“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!”

In business, there are efficient capital markets that make this work. In the nonprofit sector, it is much more challenging. In the end, Collins argues that your brand reputation is what matters most – “so that potential supporters believe not only in your mission, but in your capacity to deliver on that mission.”

Collins’ accompanying book, *Good to Great*, involved decades of research looking at match-pairs of businesses that started out similar, with one subsequently achieving greatness and the other not. He worked to isolate the attributes that separated those that were great from those that were just good.

Collins acknowledges that he has yet to complete a full set of similar research for nonprofit organizations. Yet, at least for this observer or nonprofits, his principles ring true. Any nonprofit leader seeking greatness should at least ponder how they apply to their organization.