Level 5 Leadership
Jim Collins

“You can accomplish anything in life, provided that you do not mind who gets the credit.”

-Harry S. Truman

Mike Shaner, Ph.D.
A Couple of Things About Jim Collins

- Wrote **Built to Last**
- Wrote **Good to Great**
  - Study of 1435 Good Companies
  - Examined their performance over 40 years
  - Companies that outpaced the rest of the industry (exceeded the stock market by at least 3X over 15 years!) (independent of industry!)
Who in the heck is Darwin E. Smith?

- Didn’t he write “Origin of the Species”?
- In-house lawyer who was CEO of Kimberly-Clark for 20 years
- During his time Kimberly-Clark generated stock returns 4.1 times the general market
- He described his management style as “Eccentric”
- His shyness was coupled with a fierce resolve toward life.
B E F O R E  D A R W I N  S M I T H
Kimberly-Clark, Cumulative Value of $1 Invested,
1951 – 1971
DARWIN SMITH TENURE
Kimberly-Clark, Cumulative Value of $1 Invested,
1971 – 1991

Kimberly-Clark: $39.87
General Market: $9.81
Darwin E. Smith

- Sold the paper mills—even in Kimberly, WI
- Invested in brands like Huggies and Kleenex
- In retirement Smith reflected on his exceptional performance by saying “I never stopped trying to become qualified for the job.”
- Classic example of a Level 5 Leader!
Level 5 Leaders

Level 5 leaders channel their ego needs away from themselves and into the larger goal of building a great company. It’s not that Level 5 leaders have no ego or self-interest. Indeed, they are incredibly ambitious—but their ambition is first and foremost for the institution, not themselves.
Why is it called “Level 5”? 

Level 5 Executive = Humility + Will

Effective Leader

Competent Manager

Contributing Team Member

Highly Capable Individual
Who the heck is Colman Mockler?

- CEO of Gillette from 1975 to 1991
- A gracious, patrician gentleman
- Held off three hostile attacks in order to fight for the future greatness of Gillette
- A placid persona that held an inner intensity to be the best
COLMAN MOCKLER’S TRIUMPH
Cumulative Value of $1 Invested, 1976 – 1996
Gillette versus Takeover Bid and Market

Gillette: $95.68
Takeover Bid Performance: $30.40
General Market: $14.92

44% Premium Offered in Takeover Bid
Who the heck is David Maxwell?

- CEO of Fannie Mae who took over when they were losing $1M every business day.
- Turned the company into a high-performance culture that earned $4M every day and beat the stock market 3.8 to 1.
In over three quarters of the comparison companies, Collins found executives who set their successors up for failure or chose weak successors, or both.

e.g. Rubbermaid and Stanley Gault
<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
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<tbody>
<tr>
<td>Darwin Smith</td>
<td>Nucor</td>
</tr>
<tr>
<td>Colman Mockler</td>
<td>Nucor</td>
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<tr>
<td>David Maxwell</td>
<td>Ditto</td>
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<tr>
<td>George Cain</td>
<td>Abbott Lab.</td>
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<td>Alan Wurtzel</td>
<td>Circuit City</td>
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<td>Jim Herring</td>
<td>Kroger</td>
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<td>Lyle Everingham</td>
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<td>Joe Cullman</td>
<td>Philip Morris</td>
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<td>Fred Allan</td>
<td>Pitney Bowes</td>
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<td>Carl Reichardt</td>
<td>Wells Fargo</td>
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Which do YOU want?

- Show horse or plow horse?
- Window or the mirror?
Level 5 leaders look out the window to apportion credit to factors outside themselves when things go well (and if they cannot find a specific person or event to give credit to, they credit good luck). At the same time, they look in the mirror to apportion responsibility, never blaming bad luck when things go poorly.
The Two Sides of Level 5

Professional Will

- Creates superb results, a clear catalyst in the transition from good to great.
- Demonstrates an unwavering resolve to do whatever must be done to produce the best long-term results, no matter how difficult.

- Sets the standard of building an enduring great company; will settle for nothing less.
- Looks in the mirror, not out the window, to apportion responsibility for poor results.
The Second Side

Personal Humility
- Demonstrates a compelling modesty, shunning public adulation; never boastful.
- Acts with quiet, calm determination; relies principally on inspired standards, not inspiring charisma, to motivate.
- Channels ambition into the company, not the self; sets up successors for even greater success in the next generation.
- Looks out the window, not the mirror, to apportion credit for the success of the company.
Can You Learn to Become Level 5?

- The great irony is that the animus and personal ambition that often drive people to positions of power stand at odds with the humility required for Level 5 leadership.

- Combine that irony with the fact that boards of directors frequently operate under the false belief that they need to hire a larger-than-life egocentric leader.
Therefore:

- You can see why Level 5 leaders rarely appear at the top of our institutions.
- The problem is not with the availability of Level 5 leaders. The problem is recognizing that what they have is important.
Finally!

- Can I become a Level 5 leader?
- No prescription—sorry. Except to practice the other findings that lead a company from Good to Great.
  - Disciplined People
  - Disciplined Thought
  - Disciplined Action