



BOB BUFORD: Well, of all of that, I think what pleased me most is to say that I was one of Peter Drucker's closest friends. I'm here to introduce Jim Collins, not to talk about me. And, I got from Collins' office-- he's a very meticulous person-- a list of all these things that he's accomplished. But he gave me permission not to use that list.

So, what I'm going to do is tell you what I've learned about him, the last couple of days, just flying on an airplane and driving around in a car, around Claremont. Hoping to introduce you to the real Jim Collins. He'll have his subject matter, I'm sure, and we'll learn a lot.

The first thing I'd say about Jim Collins is he's relentless. Driving over here this morning, he said that he budgets his time, 50% for writing, 30% for teaching-- today is a teaching day-- and the balance for stuff, everything else. He, like Rick Warren said last night, neither Collins nor Warren own a television set.

When he is in book mode, he works 16 hours a day. But it does include a rock-climb in the middle of the day and a nap. [laughter] After which he goes back to work. The purpose of the

nap is to get him back to work. He has a wonderful relationship with his wife Joanne, who used to at least be able to outrun him up the mountain, and is kind of a-- she's petite, but she's an Amazon. [laughter] And, I mean, she won the Ironman Triathlon in someplace. Anyway-- strange. [laughter]

I don't think he rests any. I asked him this morning whether he ever rested, and he does-- He rests on the clock, I mean, like, the nap. But he said he was 49. some-odd percent on budget for writing this year. And then, he corrected that and said, "Actually, it's 50%." So, he's that close.

I don't know how you celebrated your birthday. Jim celebrated his birthday, his 50th birthday, by climbing El Capitan straight up, which is the most about straight up and down thing you've ever seen in Yosemite, and which he describes as the *Tour de France* of rock climbing. In a day, 40 hours straight up, you know, no meals, no naps. [laughter] No pauses, I don't believe.

The second thing I'd say about him is he is infectiously curious. You just really don't want to be around him much if you don't want to get questioned. He's a friendly interrogator, but a fairly relentless friendly interrogator. I'll give you an example. He and I were having dinner in Dallas. And, he asked me, "Do you think Peter Drucker would have been more influential if he had written less?" You know, he did write 10,000-book pages and lots of magazine articles and so on.

And, as he told Rick Warren last night, first I just denied to answer the question. But, I finally said, "No, I don't think so, because he established the platform for all the rest of the people to write on, that he connected the dots, so to speak, in the whole"-- He really created an industry which is called management.

I personally believe that, if the Nobel Peace Prize-- not Economics Prize-- committee had had any good sense or imagination at all, that Peter would have gotten the Peace Prize. Because I think management's had more to do with the stability of Western culture than any other single fact. Just go someplace where it's mismanaged, and you really wouldn't want to be in Darfur or one of those crazy places like that.

Anyway, that question just continued to bug me all along. And, it has, in a way, resulted, not through any effort of my own, in Joe Maciariello doing a remarkable thing in this management book. I mean, you should get-- This book is really 40 11-page pamphlets on subjects. And, that's how he wrote less. I don't know how Joe came up with that. I don't know how he got 60 years into one book of 40 11-page pamphlets.

But the 40 11-page pamphlets have transformed themselves into Drucker Unpacked, which uses more than, anything else, uses icons to talk about how to do planned abandonment, or how to make decisions, or things like that, which I never would have thought of this until Rick Warren said it last night. You know, there's still a good part of the world that is languageless, I mean that are functionally illiterate. So, words don't do much for them. And, they think in terms of images and pictures.

If you think of the whole Renaissance, the way Christianity developed was looking at stained glass windows, pictures, not words and concepts and that kind of thing. And, this Drucker Unpacked is just-- It's just stunning. And, it is a direct result of making Peter write less. There are 15 modules of things like the theme of theory or business and things like that. And, you can actually get it. I mean, you can get it, top to bottom. So, go buy that thing and, you know, use it.

Then, the next to the last thing I want to say to embarrass my friend is, there's a writer named Annie Dillard, who I like a lot. And, Annie Dillard says, "The greatest of all gifts is the

gift to see.” And, in my opinion, the two people in the last two centuries who saw most clearly, saw the brutal facts, so to speak, in the 19th century were Alexis de Tocqueville, a French aristocrat, who came and had fresh eyes to see the United States, and Peter Drucker, who was kind of a relentless looker himself.

And, it could be, at least my earliest candidate for the 21st century might be Jim Collins. He spends a day a page on what he does. I mean, he goes over it and over it and over it. And, it allows us to see through his eyes, which is the gift we’re going to get this morning.

Last thing I would say is he is a dependable friend. He said, in the car on the way over here, that there were three things you could do about a commitment, like the commitment to be here this morning. You know, there is an old joke where you call someone up and ask if they believe in free speech. And, if they say yes, you say, “Well I’ve got a deal for you. I have an opportunity for you to give a free speech.” [laughter]

And, given the fact that he gets paid about \$1,000 a minute to do his unfree speeches, this is a gift. And he said, “There are three things you can do about a commitment. You can either get an unqualified release from it, or you can do it, or you can die.” [laughter] And so, he’s going to do it this morning. Here he is. [applause]

JIM COLLINS: I am here and I’m very much alive. I am really very passionate to be here with you and to be really among friends, friends like Bob Buford, John Bachmann, with Rick Wartzman, and Ira Jackson, and the wonderful things they’re doing with school and the institute, which I applaud. And, I expect remarkable things to come with friends, from the faculty, and also to be among a kind of a role model friend from afar, which is Doris Drucker.

And, it’s interesting. Because I was talking with my wife Joanne on the phone this morning about chatting briefly last night with Doris. And, we were just talking about how we always

looked at-- I've always looked at, of course, Peter as a great role model. But, I also always have admired their marriage, their relationship, also as a role model.

And, we were saying, yeah, you know, if you look at that kind of a role model, we've been married, now, 29 years. And, we got engaged four days after our first date. And, we were saying, you know, with that role model in mind, 29 years is really nothing other than just a nice start.

So, it's also really a privilege to be here in the environment at Claremont in the Drucker School. Because I actually think that it plays a very important role in the world of thinking and of academics. And, this idea of it being a place for conversations, right, a place for conversations, and a place for conversations on important topics that matter. And, of course, we know that that's exactly how Peter Drucker interacted, was through that constant series of conversations and the idea of having that as an entire ethos of an institution. And, I think that's a very important legacy of both Peter Drucker and of the institution.

And so, it is a privilege to try to contribute to that in some small way here today. I have been asked to honor Peter, not by looking back and articulating all the ways in which he was a great man. And, of course, he was a great man. But, by looking ahead, a bit, at our changing world, and perhaps, through that lens, building upon some timeless principles.

But, before I do that, I would like to set a context a bit, and to shine a light on Peter through my own lens. Bob Buford mentioned something in his comments. And, I've reflected on this a lot, and I believe it is true, the idea that Peter Drucker contributed more to the triumph of freedom and free society over totalitarianism, as anyone in the 20th century, including, perhaps, Winston Churchill.

And, that may sound like an audacious statement. But, as I think about it, it has to be true, right. There are two ways to change the world, the sword and the pen. And, those who use the pen rewire the brains of those who wield the swords. There are people of ideas and people of action. And, Peter chose the pen.

And really, for a free society to function, we absolutely must have high performing and self-managed organizations spread throughout society. And, it's really, actually, the reason why we're able to have this great melee called democracy-- what was it that Churchill said? It's absolutely the most hideous, awful, completely irrational, inefficient form of government ever devised, except for all the others. [laughter]

And he also said about us Americans, of course, we'll always do the right thing after we've tried everything else. [laughter] But, if you think about it, that there's a natural inconsistency in Democratic systems, and nothing great happens in the context of inconsistency, so what's the solution to that? The solution to that is that, spread throughout-- and people like city managers, and people in non-profits, and people in business corporations, and people in organizations, they are the ones who lead and manage in a way that produce the consistency that produce real results.

And, it is only the relationship between those two, between the consistent, well-managed, individual organizations that might now be creating movements with the kind of inherent inconsistency of democracy, which allows us to have freedom, that we get a workable combination. And, of course, Drucker gave us the language, the metaphor, the lens, the understanding of the role of management as the critical function.

It has become fashionable in recent years to revere the idea of leadership, which I think is great, but to kind of implicitly denigrate the idea of management. And the idea behind-- you'll have people who kind of think of it as the leaders are the ones who are cool, right. The

leaders are the ones who-- We all want to be the leaders. We want to have the black leather jacket and the cool sunglasses. And, we want to lead. And, we want to be charismatic, and we want to be all these things, and kind of the manager, you know, "Well, that's just management."

And, management is sort of more mundane and pedestrian. And, nothing could be further from the truth. Leadership without effective management, and especially, as Rick Warren mentioned last night, charismatic leadership without effective management, is not only ineffective, it is dangerous. But, of course, Drucker knew this and pointed it out more than 60 years ago.

And, if we think that the world is permanently and irrevocably beyond the reach of totalitarian dictators, that freedom will always triumph, and never will it step backward, I would simply remind us of our history. It is not on our side. Most of the world's most dangerous and powerful totalitarian states came long after 500 BCE Greece, which was the birthplace of the notion of the republic and the democracy. And, look what happened in between.

There is no law that says it is an inevitable march to free society. And, I believe that freedom wins, as Drucker taught us, in direct proportion to our ability to self-manage, if we deliver organizations that deliver results throughout society. And, my own first encounter with Drucker's contribution really came through a research lens. And my colleague, Gerry Porus(?) and I were engaged in a research project at Stanford, where we were trying to understand what separated truly enduring great companies from others over long periods of time.

And, we were going back into historical archives, so, for example, of companies like Hewlett Packard and Merck and Motorola and Johnson & Johnson and General Electric. And, we were studying these companies over the long course of their evolution. And so, you'd be going

through boxes of archive material at places like HP, and you actually have David Packard's original typewritten notes from the very, very first meeting on August 23rd, 1937 at two p.m. in the afternoon when he and Bill Hewlett got together to form Hewlett Packard.

By the way, there's a very interesting little side note on that. It's very fun. They didn't know what they were going to make, which I've always just loved. They get together and say, "We decided to form a company in the radio and electronics and electrical engineering field," very broadly defined. And then, it goes on to say, "The question of what we will design, manufacture and sell, however, was postponed." [laughter] And, this is the founding of the company.

But, if you think of it, it was a very Drucker-like approach. Because, what they essentially were saying, is, "Our ultimate contribution, our ultimate product is not going to be a calculator or an oscillator. It's going to be an organization that has values. And, if we build the right organization with values, it will do remarkable things. But that is our creation, not a product. All that stuff changes."

And, as we started looking inside these organizations, and we were studying them-- And, I was not particularly familiar with Drucker's work in depth-- kept coming across these notes. And, I kept picturing, like, David Packard standing up in the early formative days of HP, waving the practice of management, and giving a sermon to all of the people about what you're going to do.

If you go back and you look at the original statement of Hewlett Packard objectives, written by David Packard in 1957, before they went public-- Because he said, "We're going to have pressures of the markets if we go public. So, what we have to do is, we have to be very clear what we are before we hit that pressure." Writes down what later became the basis of the

HP way, but was really what he called these ten objectives, objectives. Where's the word "objectives" come from? Right from Drucker, right?

He writes them down. And, if you read those ten points, they are straight out of *The Practice of Management*. It should not have been the Hewlett Packard Company. It should have been the Hewlett Packard Drucker Company, HPD. [laughter] And this was true across many of the companies that we studied.

And, I realized there was these intellectual fingerprints, at pivotal stages of these enterprises. And, as we were struggling with what to name the book that came out of this, we tossed aside 125 titles in frustration. Our publisher was going nuts, because we just kept vetoing all of our titles. Finally, I just blurted out, one day, "Why don't we just name it *Drucker Was Right* and we're done?" [laughter] And we ended up calling it *Built To Last*, which, of course, he was.

The interesting thing-- we talk about this question of Drucker now, more than ever. I don't believe that that is just a slogan, in any way. It is an empirical fact, from our research. This is not a perspective. It's not a philosophy. It is an empirical fact that, if you look, systematically, at those that became great in contrast to those that do not, and you look at those that were great that lost it, that fell, and you ask the question-- two choices: Those that fall, fall (a) because they failed to learn the new stuff as it comes along; or (b) because they failed to implement, with excellence, the timeless principles we already know to be true. The answer is very clearly (b).

It is very hard to argue that the financial crisis we went through is because all of the financial institutions weren't adhering to fundamental, sound, disciplined management. [laughter] I believe that Peter's impact-- and others may have different views. This is just my peculiar lens-- derives not just from the specific ideas, but from his approach to ideas, an approach

that has had a huge influence on the way I like to think about ideas, and others have had to think about ideas.

And, I think this approach, at least the part that kind of jumped out at me, has four parts to it. The first is, (a), number one, he was deeply empirical. And, what I mean by “empirical” is not necessarily quantitative data. What I mean is, you go out and you look-- as he always talked about-- look out the window, see what’s actually out there. Don’t try to think what the world should be. Look at what the world actually is. And, based upon that empirical observation, then to derive insights, you look out there. Then you derive theory rather than deriving theory and looking out and trying to make the world fit your theory.

I think this is why he always loved to interact with people. Bob told the story last night about meeting with the early mega church leaders. They weren't called that at that time. And, it’s because, I think, that’s where he was getting empirical evidence. And, when I asked him, I said, “Why do you consult? Why do you work with companies?” He said, “That’s my laboratory, right.” That’s empirical, hands-on.

Oh, and by the way, on the empirical, if you look at the other great thinkers, like Darwin, they were also empirical. I mean, you read pages and pages and pages about pigeons, but from which comes a single elegant idea. That was Drucker’s approach as well.

Number two, we started first, and always, with results, asking a simple question, “What actually works?” And then, asking the question, “Why does it work?” I recall a conversation I had with a faculty member when I was teaching at Stanford. And, we were discussing people that had influenced our thinking. And I said, “Well, I really admire Peter Drucker.” And, this faculty member had an absolutely remarkable response, which was, he kind of wrinkled his nose in this kind of disdainful response, and said, “Drucker? Oh, but he’s so practical.” [laughter] I think Peter Drucker would have loved that. [laughter] “He’s so practical.”

But, it was never just kind of the details of the moment. If you pick up a copy of *Concept of the Corporation*, you don't go into it and say, "This is a how-to book on how to build a corporation." It was by going into the real empirical and the real practical aspects of things, but then zooming way out, and asking the big question, "What is the role of the corporation and the evolution of society at this stage of human history?" So you get this wonderful blend of practical and very big questions, which brings me to the third aspect of his approach.

He had the courage to ask the audacious questions. I remember a conversation I had with another role model and person I admired greatly, John Gardner, who wrote *Self Renewal* and on leadership and Secretary of Health Education and Welfare in the Johnson administration. And John Gardner, when I was talking with him about do I want to do a full traditional academic career and end up doing a type of research that would lead me into that kind of normal path, he said, "That would be fine. It'd be a good use of your brain. But, be aware of what has tended to happen. Beware of the tendency to answer questions of increasing irrelevance with increasing precision." [laughter]

And, I believe that what Drucker had the courage to do was to say, "You know, not all important questions can be answered with increasing precision. But it doesn't prevent you from, in the end, being right." And, his approach was to ask increased questions of increasing significance with increasing empirical rigor. And I believe that-- my view is there was one overriding question, which is, how do we make society not only more productive, but more productive and more humane?

And then, finally, the great signature of it all-- and I'll return to this at the end, because I'm going to go to the questions aspect here-- is that everything was infused with a tremendous compassion and deep concern for the wellbeing of the individual. You know, if you built

companies that destroyed people, if you built well-managed organizations and destroyed human beings in the process, this would be a failure.

And, I'm going to return to the individual aspect, here, maybe towards the end. Showing hands, how many young people do we have here? I have to be careful how I define "young." I keep changing that as I go along. Okay, I'm not going to say young or old, but how many are under the age of 30 in this room? Wonderful. At the end, you and I are going to have a little chat, at least for a bit. I have some thoughts for you I've brought.

Okay. So, what I would like to do is to spend a few minutes in this notion of looking forward, teasing up some questions. I don't know if I have real good answers for these questions. But, what might be questions that-- I don't know if Peter would ask them today or not, but they're questions that occurred to me as we look forward. I'm going to suggest three or four of them, depending on my time. And, I've brought about ten, but we'll have enough time for three or four.

The first question that occurs to me is, how do we build legions of level five leaders? And, as we have engaged in our research, what we do is we're always comparing those that did something exceptional and built a great company, in contrast to others that did not. And, I had always, at the very beginning of that process, discounted the role of the individual leader. That had always struck me as a great pluck figure, right. It basically said-- When we said it's all leadership, we basically were saying we're ignorant.

Because, what we say is, "Well, we believe the answer is leadership. If something was successful, it must have been great leadership." We went in a circle. What did we learn? And so, I said, to the good-to-great research team, as we were embarking on the research, "We will not have a leadership answer in good-to-great," which is, of course, highly conducive to their freedom of thought. And, I have this strange genetic need to surround myself with

young people who really don't care what I think. And, as the great professor Hal Leavitt(?) used to like to say, the best students are those who never quite believe their professors.

So, one day I walked into the research team meeting, the whole team had joined hands. And I thought, "Well, that's a little different. What's up?" And they said, "Today, Jim, is the day we've decided to tell you that you are wrong." "What about?" "About this anti-leadership bias that you have. See, if we look at the companies that really made these good-to-great leaps, you can't take the leaders out of the equation. I mean, to remove Cork Walgreen from the Walgreen's story, or Coleman Machler(?) from the Gillette story, or Dick Cooley from the Wells Fargo story, is to ignore the data you tell us to pay attention to, not to you, we invoke that here today. You are wrong."

And, I pushed back, and I said, "Yes, but what about the comparison companies, the companies that didn't make it? They also had leaders. They also had leadership. Would anyone on the team like to argue that Lee Iacocca was not a leader?" Chrysler's a comparison company. Anybody want to argue that Jack Eckert of Eckert was not a leader? But Eckert was a comparison company. You cannot say that the differential was leadership. They both had leadership. It's like an equation, numerator, denominator, crosses out, goes away, wrote it on the white board, sat down, and said, "Let's go do something useful."
[laughter]

And the team, their hands tightened. And they said, "We thought you would say that, and we did our homework." And, this is when the research team had a really remarkable empirical observation that led to an insight. Yes, both sets of companies had leaders. But the good-to-great leaders were different than the comparisons. They had different cloth. And, this is where we had this insight of the level five leader, that leadership is hierarchy of capabilities. And level one is about individual capabilities. Level two is about your ability to

play well with others, right, team capabilities. Level three is good, competent, effective management. Level four is, then, to blend out with the ability to set direction and to lead.

But, there is a level that ties them all together. And the five, the signature of the five was their humility. I mean, this was an empirical observation that, what separated the truly exceptional, the true great winners who did this, was not their great ...(inaudible), it was their humility, defined, really, as an ability to channel their ambition into something bigger than themselves. And it wasn't about them.

So, it was really interesting talking to Rick Warren last night. I mean, the first line of his book, right, *It's Not About You*, well that's a religious book. We're doing an empirical study, drawing upon thousands of years of combined historical and statistical, and we're selecting based on stock returns. We find the same sentence. They understood. It's not about you.

When I look at some of the people who have been associated with this event, people like Bob Buford and John Bachmann and Frances Hesselbein and Rick Warren and Ito's Toyota, what do they all share in common? They are exemplars of the fact that they are incredibly ambitious but not for themselves. And, this is the five.

I worry-- And my question is, which way are we going as a society? Are we going down to where, increasingly, it's going to be those who are ambitiously, primarily, for themselves, who will be the dominant strain? Or, will it be the level fives who will be the dominant strain? If it's the former, we go the way of Rome. So we don't have a choice.

And, when you look inside, as we've had the privilege to do, at even difficult things like education, where we had the privilege to study what separated schools-- The Center for the Future of Arizona did this. I just happened to be sort of the thesis advisor, looking at schools in poor Latino neighborhoods, public schools, with all of the constraints of public schools.

And yet, some managed to beat the odds, and to over-perform, and to deliver outstanding educational results for those kids. And, you compare them to other schools that are in the exact same circumstances, with the exact same constraints, and the exact same teachers' unions, and the exact same limited budgets, and the same kinds of communities, who don't over-perform, the answer cannot be their circumstances. And, what was really different was that, in every one of their schools, there was a level five leader like Julie Tate Peach, who took responsibility to make her school in Yuma, Arizona, a pocket of greatness that would deliver outstanding results.

And, I got into an argument with the Senator of the United States of America at a session I had a privilege to do with a group of Senators about education. And, it was an argument back and forth. And, this Senator was arguing, "The most important thing is to increase the budget." And my response is, "If you increase the budget threefold, but you don't have an army of Julie Tate Peaches, it doesn't matter."

How do we have a West Point for education? How do we have level five leaders deployed into those principals? That's how we make it work. And, how do we build armies? And, of course, that's what Claremont is all about. Now, let me give you a hopeful side because I think there's a lot of dark side to that. It's pretty hard to argue that, what we've watched in the last year, is principally played out because of people who weren't ambitious for themselves. [laughter]

I'm deeply-- I have great faith in our self-corrective ability. And, perhaps, we don't even just have level five leaders, but this young generation coming up, as the Chief of Staff of the Army said to me at a session at West Point, "This is the most inspired and inspiring generation to come through West Point since 1945. I should get out of the way, let them lead."

Maybe we have a level five generation in the making. And, the sooner we can get that level five generation into positions of responsibility and power, the better off I believe we will be. So, my friends who are under 30, we'll get out of your way. But, there is a challenge, an issue.

And, what I worry about for this up and coming generation, what I worry about for this wonderfully idealistic, collaborative, inspired generation, is that they grew up in a historical anomaly. How many times in human history do we have the combination of global stability, which was provided by having two super powers and then one, and almost unbroken prosperity at the same time? This is not the normal mode of history. 200 A.D. Rome, 500 B.C.E. Greece, 2000 B.C.E. Egypt-- I can go through a few in history. But it's not the norm. The norm is usually instability. An unbroken prosperity is not also the norm.

So, they grew up in kind of an artificial time. And so, my next question is, how do we prepare ourselves? And, how does the young generation prepare itself for the coming, the ferocious instability that is about to descend upon us? I'd like you to picture waking up at below Mount Everest, a base camp. And, a big storm comes blasting through the valley. And, you can hunker down in your tent. And, when the storm clears, you can emerge and you can go climbing again.

But, what happens if, instead of being in the safety and security, the stability and prosperity of base camp, you wake up as a vulnerable little speck at 27,000 feet on the side of the mountain, where the storms are bigger and faster, everything more uncertain, everything more out of control? There, you are not prepared. There, you are not psychologically prepared. You are not physically prepared. There you might be in real trouble.

And, what we have just been going through might be more of a wakeup call that we're at 27,000 feet. And, we're very unlikely to be able to go back to the nice, safe stability of base camp. We're up on the mountain. And, if, in fact, the last 30 years were the anomaly, then we're going to be on that mountain. Now, I'm confident prosperity will return. It's what we know how to do. I'm not at all confident that stability is going to return.

And, speaking as an American-- and I know not everyone in this room is American-- this is where I think we are particularly exposed to the competitors from outside the United States. When I meet with my friends from, say, Russia-- Had a group come to my laboratory from Russia. They're in their late 30s/early 40s running this giant company in Russia.

And, you realize that, in their late teens or 20s, they woke up one morning, and their entire world had evaporated. The tenets that they had grown up with, gone. The economy doesn't work. The entire Social system overturned. Now, they've got to learn how to operate in this other mode. And, what you realize, when we were talking about the economic crisis, they said, "Oh, we don't worry that much about the economic crisis. We have a different term. We just call it new economic conditions." [laughter]

And, I talk to my friends from Brazil, who grew up with things like 30% a month inflation at times, where you always make sure that you take a cab not a bus. Because, you see, you pay for the cab right at the end. And inflation helps you over the course of the ride. [laughter] Or my friends from Argentina, who say in Argentina, even the past is unpredictable. [laughter]

Here's my point. People in India, Brazil, Russia, emerging Africa, they've already been climbing at 27,000 feet and they know how to do it. And we are going to have to learn how to do it.

Now, in speaking to our young folks on this, I would like to give you a way of thinking that has been enormously helpful to me, that came from the good-to-great research for dealing with great difficulty. And it was, what we came to call the Stockdale Paradox. And the Stockdale Paradox was taught to us by-- When we were doing the good-to-great research, or tried to make sense of the CEOs.

And, in doing that, I just, by chance, happened to get to know Admiral Jim Stockdale, who was the highest ranking military officer in the Hanoi Hilton, shot down in 1967, was there until 1974. They could pull him out at any time and torture him, and they did. He was tortured over 20 times.

And, I had the privilege to get to know Admiral Stockdale. And, we were going to the faculty club one day. And, I had read his book, *In Love And War*, which was written, in alternating chapters, by himself and his wife about their years when he was in the camp. And, I got depressed reading the book, because it seemed so bleak. It seemed so difficult. It seemed-- You know, it's like we can all endure anything if we know it's going to come to an end and we know when.

But, what if you don't know if it's ever going to come to an end? And you certainly don't know when. So, I asked Admiral Stockdale how he dealt with that. And he said, "You have to realize, I never got depressed because I never, ever wavered in my faith that, not only I would get out, but I would turn being in the camp into the defining event of my life. That, in retrospect, I would not trade."

Later, when we were up the hill, I asked him-- I said, "Admiral Stockdale, who didn't make it out as strong as you?" And he said, "Easy. It was the optimists." I said, "The optimists? You sounded optimistic." He said, "No, I was not optimistic. I never wavered in my faith that I would prevail in the end, but I was not optimistic." I said, "What's the difference?" "Well, the

optimists always thought we'd be out by Christmas. And, of course, Christmas would come and it would go. And then, we were going to be out by Easter and Thanksgiving. And then, Christmas would come again. And they died of a broken heart."

And that's when Admiral Stockdale grabbed me by the shoulders and said, "This is what I learned. When you're facing-- you're imprisoned by great calamity, by great difficulty, by great uncertainty, you have to, on the one hand, never confuse the need for unwavering faith, that you will find a way to prevail in the end, with, on the other hand, the discipline to confront the most brutal facts we actually face. And we're not getting out of here by Christmas."

As I speak to this wonderful, up and coming level five generation, and I was having a conversation with a friend of mine who's going to be running for the U.S. Senate, and I asked him why. He said, "Nationally, as we encounter great challenge, we must have the Stockdale Paradox." And, as you get hit by the things we might get hit by, never lose faith, and never deny those brutal facts. That's the starting point for our preparation.

Two related thoughts on that particular question. And it really ties to the Drucker School. It ties to the Drucker Institute. It ties to Claremont and it ties to Peter. I mentioned, earlier, the work *Built to Last*. And it was very interesting. We were studying enduring great companies, in contrast to others.

Went back recently and realized we selected the study set for that study in 1989, two decades ago. All 18 of the *Built to Last* companies are still stand-alone, independent, and almost all of them very successful companies today. If you took a random sample of large publicly traded companies 20 years ago, what are the probabilities that all 18 in your random sample would be stand-alone, independent, and largely successful today? The number is less-- The percentage is about 0.2% probability.

Not only that, 15 of the 18 *Built to Last* companies lived through the 1930s Depression. What do they teach us? What has enabled them to have that? What did we find that separated them? What we found is that what really separated them was not necessarily that they had smarter strategies, although they often did, or that they were sort of more financially savvy, although they often were.

It was because they were founded, first and foremost, and built always on a rock-solid set of core values that are not open for negotiation. And, if you look at what gave them the reason to struggle, the reason to fight, the reason to endure, it wasn't strategic, it was values. And that is what this school teaches. The great irony is, people think that values are soft. I've never understood that idea.

The second point is we have now done two decades of research, studying those that do well in contrast to those that do not, across six different studies, two in the social sectors, four in business, 7,000 years of combined corporate data, and all different kinds of lenses and industries and so forth. I would like to suggest, maybe even assert as an empirical fact, something that stands out.

And, as we face this difficult world that we're heading into-- not that we're leaving, we're heading into-- the evidence is overwhelming. Whether you prevail or fail, endure or die, whether you've built something great, whether you built greatness out of calamity or from scratch, depends largely on what you do to yourselves, not on what the world does to you.

And, something that Peter had always said, but now we have seen empirically in our research, there is no question that, no matter what the world throws at us, our destiny, our fate-- and this is an empirical fact-- lies largely-- maybe not entirely, but predominantly in our own hands from our own disciplines and our own choices.

My third and probably last question, so I have time to speak to our young people here a little bit-- but it leads into that-- How do we increase the percentage of people on the planet who find and live the three circles of their personal hedgehog concept. Okay, so we'll just kind of go into the idea of managing yourself, but then scaling it up through organizations.

If you think about, sort of, how people apply themselves, when we go back and we look at the good-to-great data and some of the other data, we find that there's these three circles. And, you put your energies in the middle of three circles. And the first circle is what you're passionate about and what you love to do, and what you stand for. And the second circle is what you can be the best at. And the third circle is what drives your economic engine. And you focus your energies there.

But, let's drop that down a level, to the individual. How many of the folks under age 30 in here have had cross your mind the thought, "I wonder what I'm going to do with myself." [laughter] Okay. I'd like you to think, then, about finding your own three circles at an individual level, which is think about it this way. Imagine that you could engage your energies and your time directly in the middle of three tests.

First is something for which you have great passion, that you love to do, and that absolutely reflects your values. And, when you wake up in the morning, there is this sense of, "My goodness. Even if I'm getting paid for this, I would want to do it even if I wasn't getting paid for it." Now, imagine if, in addition to that, you could marry it to a second circle, which is finding what you're genetically encoded for. And there's a big difference in what you're good at and what you're genetically encoded for.

I discovered this as a young person. I went off to college. I thought I would be a mathematician. I had done well on math tests. But, when I entered courses like real analysis,

I met those who were genetically encoded for math. [laughter] Not being one of them, I needed to find another version of my three circles. [laughter]

And now, imagine the third circle. As you're engaged in something that makes-- that is of great value, it's of either social or economic or both of value. It makes a contribution. You are useful. Now, imagine you have all three. "Man, I'm passionate about this. I love to do it. It expresses my values. I'm genetically encoded to do it. When I do it, I feel like a fish in water. And then, finally, third, I'm useful."

Now, what percentage of the world do you think has that? Five percent? Maybe not even. What would happen to the world if-- Let's say it's three percent-- if we then made it 20% of people who are doing what they're passionate about, genetically encoded for, and are useful, are in positions of real contribution and value?

Now, I don't know the answer of how we make that percentage go up. But, linking back to the idea of Maslow(?), how did he describe self actualization? It wasn't hanging out on the beach. [laughter] He defined self actualization as discovering what you were meant to do and committing to the ardor of pursuing it with excellence. The purpose of free society, I would suggest, is to systematically increase the percentage of people who do exactly that. And then, they can do it for very long periods of time.

We were over at the institute yesterday, and there's this bookshelf with all of Peter Drucker's books. And I asked the question-- Bob mentioned this last night-- "Which book"-- because they were laid out chronologically-- "did he write when he was 65?" *Management*. And, if you look on the shelf, where does it fall? One third of the way through. Not two thirds, one third. Two thirds come after the age of 65. Isn't that just wonderful and intimidating? [laughter]

As a last question-- and I don't need to spend a lot of time with it-- As we look at people who are getting older and older and were young at 60 and 70 and 80, how do we reverse this tendency to think that, at 65, our work is behind us? If we look at that bookshelf, actually we should look at it as, when we hit 65, everything has been a preparation. And only one third of our best work is done.

When I asked Peter Drucker, when he was 86, which of his 26 books, at that point, he was most proud of, he said, "I'm still working on it. The next one." [laughter] Now, within that, I will leave one question for those who have moved in, what Bob likes to think of, as half time.

I think there is a question that does deserve an answer. It might be one that I channel some of my energies into. For those who are thinking about being useful after they've been successful. I was at a group gathering of philanthropists, who were successful business people that have moved into philanthropy. And I brought a question. What systematically separates successful business people who become great and effective philanthropists from successful business people who become mediocre philanthropists? They had never thought about the question.

They thought it was simply good enough to become a philanthropist. I would suggest it is not. And yet, the interesting thing is, we don't really know what separates. With one thing that came out of the conversation, those who are the great and effective focused on results and not on credit.

And so, as we bring my time to a close, I would like to now speak to our young people and give you ten "to-dos" to consider. Those of you who are 40 years young, 50 years young, 60 years young, you can also consider these. But, I specifically want to speak to our emerging level five generation. And, these are for your consideration. The best students are those who never quite believe their professors.

Number one. Build a personal board of directors, people selected not for their accomplishment but for their character. The people you would be embarrassed to come to if you're thinking, "Is this really the right thing to do?" that you realize that, even asking them would be embarrassing. I remember when the personal board idea occurred to me. I was 25 years old. I did not have a father who I learned anything from except bad habits. And, I always resented the fact that my classmates in college could call their dad and ask for advice. And I thought, "Wow, that is just odd." And then, I began to resent it.

And then, I finally realized, well, if I didn't have a father, I'll make one. I'll create one. So, I started reading biographies. I figured if I didn't get a dad, I'll just invent one. And, as reading those biographies, I was driving down Elm Street in Palo Alto one day. And, I was listening to these interviews with the great President Harry Truman, done by Merle Miller.

And, there was this wonderful line where Harry Truman says, "If you don't know the difference between right and wrong by the time you're 30 you never will." And, I pulled off the side of the road. I'm panting, "I'm 25 years old. I've got five years to figure this out." [laughter] And hence was born the idea of the personal board of directors.

Your personal board does not always need to know they're on your personal board. Peter Drucker was on my personal board and never knew it. And he was not selected for that because, in my mind, he was the greatest management thinker, but simply because he was one of the greatest people.

Number two. Please turn off your electronic gadgets. Not for others, but for yourself. Effective people take time to think. Begin the discipline of putting white space on your calendar, where there is no phone, no email. I was going to say no fax, but they don't even have that any more. No Twitter, no emails, no connections, and engage in this glorious

pockets of quietude. Do you know that Rick Warren reads a book every single day? A book a day. A book a day, 365 days a year. He read 1,000 books in three years.

Number three. This would be a great time in life to work on your three circles, and perhaps consider the idea of you studying yourself like a bug, right, and of making empirical observations to say, "What does this bug do? What is this bug passionate about? And, what is this bug encoded for?" And with no judgment. Don't judge and say, "This bug should be better at math." Nonjudgmental, empirical observation of what you really are passionate about genetically encoded for, and where you can be useful. And, get input from those who love you, who know you as empirical data on you.

Number four. What is your questions-to-statements ratio? And, can you double it? John Gardner, another member of my personal board, brought me into his office one day and said, "It occurs to me, Jim, you spend way too much of your time trying to be interesting." [laughter] "Why don't you channel your time around being interested?" That ten seconds changed my life.

Imagine going into every situation, not with how to be interesting but how to be interested, how to ask questions, how to learn from everybody you meet. What is your questions-to-statements ratio? And, can you double it?

And, number five. For those who have dealt with health, this one also, then, really jumps out. And, at some point, all of us will. Add the question, a specific question, to live by. If you woke up tomorrow morning and discovered that you had inherited \$20 million dollars, and you also discovered you had a terminal disease and you only had 10 years to live, what would go on your stop-doing list?

Number six. Start your stop-doing list. How many here have a to-do list? How many have a stop-doing list? When we were talking last night, Rick Warren and I, and Peter Drucker had asked the same question, always, of him, every time he came, not “What have you done?” but, “What have you stopped doing?” Because someone like Rick Warren doesn’t exactly have a shortage of energy to do stuff. And the real task is to always be clear about what to not do, what to stop doing.

Number seven. Unplug the opportunities that distract you. Just because something is a once-in-a-lifetime opportunity is a fact but not a reason. If it doesn’t fit your three circles, remember there will always be many once-in-a-lifetime opportunities.

Number eight. How do we build that legion of level five leaders? Find something for which you have so much passion that you are willing to endure the pain.

Number nine. Great time of life to articulate the values that you will not compromise. As a guiding consolation, remember this thing about the 18 and the 15 companies and what held them? Well, the same applies in individual level. If we’re going to go through whatever we’re going to go through, what’s the guiding constellation? It starts not first with our strategies but with our values.

And number ten. Prepare to live a life where, at age 65, you're one third of the way through your work.

So, I would like to close, in the last five minutes, back with Peter. I mentioned earlier his concern and compassion for the individual. I was a very afraid individual in 1994. I was completely unknown. All I knew is that I didn’t want to follow a traditional path. I wanted to carve my own path. And, I was leaving the academic world, and I was really nervous about whether this could work.

And, I had met a good friend of mine who knew Peter Drucker. And, he said, "Who do you admire?" I mentioned Peter. He said, "Well, maybe Peter would like to talk with you." I thought, "Peter wouldn't want to talk with me. Why would he want to talk with me?" And then, one day I get this message on my message machine, "This is Peter Drucker. Call me." And I call him. And I'm calling from the Seattle Airport. And I'm talking into the phone because there's people around. And, I hear him yell through the phone, "Speak up! I'm not young any more!" So I'm yelling into the phone. [laughter]

Scheduled this day to come down. I will never forget the moment when he came to his door. He comes to the door. And he reaches out and grabs my hand with two of his. And he brings me across, and he says, "Mr. Collins, I am so very pleased to meet you." He says that before I have a chance to say, "It is an honor to meet you."

And we sit, as many in this room have sat, with him in the wicker chair. And, you keep wanting to ask Peter Drucker questions. But you don't get a chance, because he is asking you questions. And I remember how his brain worked. We went to lunch, and he had a double espresso and a glass of merlot, preserve the core, stimulate progress. [laughter]

And he gave me great solace of realizing that, you know, he stumbled as well. I remember describing the great frustration of writing, and then having to write a whole chapter, and thinking it wasn't any good, and throwing it in a waste basket. And he looked at me and said, "That is immense progress." I remember that every time, now, I throw a whole chapter in the waste basket. Progress.

And, he taught me the idea, that day, that entrepreneurship is not a business idea, it's a life idea, that you can do a paint-by-numbers kit to life, or you can try to paint a masterpiece on a blank canvas. At the end of that day, which was one of those-- I still have all the notes, of

course. But he said something that has come back to me over and over and over and over and over again.

He turned to me in that wonderfully challenging and loving way. And he said, "I can see that you are very worried about your survival. You'll probably survive." [laughter] "And you worry a lot, at your age, about how to be successful. That's all fine and good. You'll probably figure that out. But, if you really want to make good on this day and this time, why don't you really think about how to be useful?" And that's the level five question. I don't see myself-- I see it as a journey. But that's the level five question. How do we be useful?

And so, as I said earlier, I believe there are two ways to change the world, the sword meaning action, and of the pen. And, which is why this idea of having ...(inaudible) and Drucker on the same building as action and pen. And, when young people ask, "What can I do to make a difference," I might suggest, "Get your hands on an organization. If you can't find one, start one. Be like Wendy Copp. And employ the disciplines, the disciplines of management, which will amplify your leadership, applying everything you can learn from Drucker, to lead it with disciplined impact, to multiply your own personal impact, by a thousand-fold, and, therefore, to be useful times a thousand-fold."

And, if there is any better way to honor the legacy of Peter Drucker, I cannot think of it. And, he would smile, not by saying he was a great man-- which he was-- but by going out and making ourselves useful. And so, I leave you with that. Please go out and make yourselves useful. Thank you.

[applause]

IRA JACKSON: Thank you, Jim, for making yourself so useful to us on this very special day. And thank you for believing in free speech. [laughter] [applause] When I called Jim and asked

him to be the keynote speaker for the Drucker Centennial, he said, "Why me, Ira?" And I said, "Because you're the living Drucker, Jim." And he said, "No I'm not." So I said, "Well, let me try a more compelling argument. Peter would want you to be the keynote speaker at his Centennial."

I'm going to embarrass him a little bit, now. And I don't mean to be ungrateful, but it's genuine. We have this huge dilemma at Claremont Graduate University and at the Peter F. Drucker and Masatoshi Ito Graduate School of Management. Thanks to the generosity of some spectacular donors, we have the Peter F. Drucker chair in management as a liberal art. And it has not yet been filled. So Jim, I want to remind you that, when you're prepared to come down from the mountain, and from Boulder, we would be deeply honored, as would Peter, to have you as our very first Peter F. Drucker chair in management as a liberal art.

[applause]

I mentioned that we're a small organization. And I don't have the gift that I know we've prepared for you, Jim. But I do want you to know that this wasn't entirely a free speech. In addition to some memorabilia of the school, we have a plaque which says, on behalf of all of us-- and I get to sign it-- we're making a \$1,000 dollar contribution, in your name, to a non-profit of your choice as a gesture of thanks and appreciation for your being so useful to us today.

[applause]

END