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STANFORD SOCIAL INNOVATION *review*

Notable Books

**BUILDING WEALTH: The New Asset-Based Approach to
Solving Social and Economic Problems.**

**Edited by the Democracy Collaborative at the University of
Maryland**

Reviewed by Marc J. Lane

**GOOD TO GREAT AND THE SOCIAL SECTORS: A
Monograph to Accompany Good to Great. By Jim Collins**

Reviewed by Robert Gertner

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BUILDING WEALTH: The New Asset-Based Approach to Solving Social and Economic Problems

**Edited by the Democracy
Collaborative at the
University of Maryland**

210 pages (Aspen, Colo.:

The Aspen Institute, 2005)



Reviewed by Marc J. Lane

The Democracy Collaborative's useful primer examines the reach and impact of individual, community, and government wealth-building initiatives to promote social and economic justice. In only 121 pages (plus an expansive and excellent bibliography), senior research associate Steve Dubb, the principal author, and his colleagues offer a succinct and dispassionate definition of each of several asset-based strategies.

Among the strategies described in the book are individual development accounts, which match the savings of low-income people with philanthropic or government funds. There are also an unidentified number of "social enterprises" that make money and pursue social missions. Add to that community-development corporations that revitalize urban and rural communities by producing affordable housing as well as commercial and industrial space. And community-development financial institutions – including community-development banks, credit unions, loan funds, and venture capital funds – that support underserved minority communities.

The Democracy Collaborative's cogent, albeit cursory, treatment of these and other complex development catalysts should be commended for calling policymakers' attention to untapped opportunities to create and protect jobs,

and to help fund community services. Yet the book's subtitle, *The New Asset-Based Approach to Solving Social and Economic Problems*, overpromises. The authors' views are not innovative, nor do they present a cohesive strategy to redress social wrongs or achieve economic justice.

Mr. Dubb and company acknowledge, in a thoughtful epilogue, that there is more work to be done. For starters, I suggest two areas for their further consideration. The first is one of objective: *Building Wealth* is almost entirely a descriptive recounting, rarely offering any advice or counsel. If the authors want to promote social and economic change, they should prescribe what needs to be done and by whom.

Which brings me to the second suggestion. The authors astutely point out that diverse decision makers – some encouraging income growth, others savings, and still others direct human services or job creation – can pluralistically drive positive change. The players they neglect, however, share the greatest capacity for effective empowerment. These are the individual and institutional investors who promote change either by investing only in companies that demonstrate exemplary social responsibility, or by prodding social laggards to do better.

The Social Investment Forum, a non-profit research and educational organization, recently reported that more than \$440 billion is invested in portfolios whose professional managers employ social screening or shareholder engagement strategies. And my empirical research demonstrates that the common stock of those companies that earn the highest marks for social justice and environmental concerns tends to outperform that of their peers. The Democ-

racy Collaborative should embrace values-based investing as a tool to effect positive social change in corporate boardrooms and, ultimately, in society at large.

Marc J. Lane is a Chicago attorney, president of Marc J. Lane Investment Management Inc., and an adjunct professor at Northwestern University School of Law. He is the author of Profitable Socially Responsible Investing: An Institutional Investor's Guide (Institutional Investor Guides, 2005).

GOOD TO GREAT AND THE SOCIAL SECTORS: A Monograph to Accompany Good to Great **Jim Collins**

35 pages (Boulder, Colo.: Jim Collins, 2005)

Reviewed by Robert Gertner

Five years ago Jim Collins published the hugely successful management book, *Good to Great: Why Some Companies Make the Leap ... and Others Don't* (GTG). He has recently published a 35-page addendum, *Good to Great and the Social Sectors* (GTG-SS).

GTG stands out among the myriad of management books because it is based on a coherent research design. Collins defines explicit criteria that define good-to-great companies, selects all companies meeting the criteria from a large sample of publicly traded companies, and finds a matched sample of companies in the same industries that are similarly good but fail to become great. The book then documents the differences between the two samples based on analysis of public documents, financial performance, and interviews.

This approach is a refreshingly sharp contrast from those taken by the typical management book. The lessons provided by these books are often simplis-

tic and unfounded – like advising us that the key to being good at math is mastering multiplication. The problem with this should be obvious: One could just as easily make the same argument about addition, subtraction, or division. Does multiplication really matter more or is it simply necessary to do a number of things – including multiplication – well?

GTG is different because it tells us that for this sample, great companies have certain characteristics that merely good companies do not. There is a legitimate basis for an inference that to be great, these are the hard and important things a company needs to do.

But how far can we take this inference? Collins believes the characteristics that distinguish the small sample of good-to-great companies – all selected to be large, old, publicly traded companies in established, mediocre industries – are the same timeless principles that distinguish great from good organizations of all sizes and types, including social enterprises in the nonprofit and government sectors.

There is no equally careful research to defend this proposition in *GTG-SS* because there is no matched sample. The method of *GTG-SS* is to apply and adapt the good-to-great principles to social sector organizations using common sense, introspection, anecdotal research, and Collins' discussions and interviews with social sector leaders. Although Collins hopes to see the matched sample method applied to social sector organizations, he provides no clues about how to do this.

The first critical step, defining criteria for a sample of good-to-great social organizations, is an overwhelming obstacle. Indeed, Collins addresses the well-known problem of measuring success in social organizations, but with few new insights. He points out that we should measure outputs, not inputs, and that

individual organizations can and should develop multidimensional metrics of outcomes tailored to their specific mission. This is fine, but does not allow a direct comparison across social organizations, so it cannot form the basis for selecting a sample of good-to-great social organizations.

The core of *GTG-SS* consists of Collins recommending adoption of some of the good-to-great principles directly to social organizations, while explaining that others require some modification.

He notes that social organizations require legislative leadership rather than the executive leadership required in business, because employees, funders, board members, and even clients all exert a great deal of influence. Nonetheless, Collins asserts that the qualities of leadership in good-to-great companies – personal humility and professional will – are the key in social organizations, even to a greater degree than business. Charisma and ego are unnecessary, and perhaps even liabilities. But great leaders seem to come in many shapes and sizes. The results in *GTG* are surprising for just the reason that the leaders are so similar. The broader applicability of this result to social service organizations is unproven and possibly incorrect. In fact, my experiences with social enterprises are that charismatic leaders are important for standing out in the melee for funding and attracting the best employees.

Collins tells the story of Roger Briggs, science chair at a suburban Colorado high school who created a superb 14-person department by retaining only exceptional teachers and letting good, competent teachers go. The story is meant to illustrate a key principle of good-to-great: that the first priority is to get the right people, before even trying

to achieve greatness. Briggs succeeded, but it strikes me as a very risky strategy. How many others who try to emulate Briggs' approach would end up with no exceptional teachers, and even few competent ones?

This discussion about hiring the right people underscores one of the potential problems in the good-to-great method – strategies that lead to greatness may be enormously risky. We observe the winners, but others who adopt the principles may fail so miserably that they don't even make the

matched sample. The discipline to be great at one thing works if you pick the right thing, as all the good-to-great companies did. But what if your analysis turns out to be wrong and you bet it all on the wrong thing?

Despite these caveats, *Good to Great and the Social Sectors* provides many useful lessons for social enterprises. Its attention to effective leadership, attracting the right people, a disciplined approach to all aspects of the organization, and focusing on being great at one thing all strike me as sound and important. I agree with Collins that many social enterprises would benefit from these lessons. The writing is excellent and the anecdotes are illuminating. But don't accept all of Collins' prescriptions for the social sector as grounded in rigorous methods and research. In the end, the book is just an especially well executed, thoughtful, and informed attempt to apply lessons from successful for-profit organizations to the social sectors based on anecdote and intuition.

Robert H. Gertner is a professor of economics and strategy at the University of Chicago Graduate School of Business. He is a co-author of Game Theory and the Law (Harvard University Press, 1998).

