The 10 Greatest CEOs Of All Time

What these extraordinary leaders can teach today's troubled executives.

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By Jim Collins

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(FORTUNE Magazine) – It's a familiar scene. An industry under fire. A congressional committee demanding answers. A corporate CEO called to testify.

Yet the familiarities, in this case, end there. When Boeing CEO Bill Allen appeared before a House subcommittee--addressing charges that military aircraft makers had improperly inflated profits at the government's expense--there was no lawyer whispering in his ear. There were no notes before him. There was no hint that he wasn't personally responsible for Boeing's actions. And when he had finished his quietly forthright explanation, there was no question that Boeing--far from gouging the government to pad executives' bonuses--had in fact been laying the foundations for future greatness, plowing profits into research and development. The committee's response now seems unimaginable: It erupted into a standing ovation.

That image, from 1956, kept popping to mind whenever someone asked me about the business meltdowns of 2001 and 2002. What, went the questions, should be done about governance? What should Congress do? What should boards do? What, what, what?

I usually declined to comment, feeling I had little to say that had not already been said. But as the Allen image lingered, I came to realize that I did have something to say. It's just that my answer wasn't a what answer. It was who.

When the debates over governance mechanisms and procedural reform are all said and done, one question will still tower above all others: Who should we choose to run our corporations? In the 1990s, it's now clear, boards increasingly gave the car keys to the wrong people. Like doctors bleeding patients to death in the 1600s, the boards weren't trying to do harm. They were simply using the wrong models.

Yet where, these days, are the right models? For good reason, we've become cynical about CEOs. There seem to be no heroes left standing, no one to emulate or believe in. There's an increasingly gloomy sense that we should simply throw up our hands and give up on corporate leadership.

I disagree. Having spent years studying what separates great companies from mediocre ones, I can say unequivocally: There are role models to learn from--albeit not the ones you might expect. It's what inspired me to go back to my research and assemble my list of the ten greatest CEOs of all time.

Who made the cut? Some names on the list will be familiar, while several you might expect to see--names like Gates, Grove, Welch, and Gerstner--weren't eligible for a simple reason: Great CEOs build organizations that thrive long after they're gone, making it impossible to judge their performance until they've been out of office at least ten years. That criterion--legacy--was one of four I used to winnow a universe of more than 400 CEOs. I also scored the top candidates on impact (presiding over innovations--whether technical or managerial--that changed things outside the company's walls), resilience (leading the company through a major transformation or crisis), and financial performance, measured by cumulative stock returns relative to the market (or other financial metrics in the case of pre-IPO companies) during the CEO's tenure.

So what, exactly, made these ten so great? Strikingly, many of them never thought of themselves as CEO material. The second-greatest CEO on the list initially refused the job on the grounds that he wasn't qualified. No. 9 described herself as "scared stiff." No. 5 was once told flatly, "You will never be a leader." Striking, too, is the sheer scale of their time frames. Surrounded by pressures to manage for the quarter, they managed for the quarter-century--or even three-quarters of a century. The No. 4 CEO shaped a company that would average 15% earnings growth for an astonishing 75 years.

Yet if one thing defines these ten giants, it was their deep sense of connectedness to the organizations they ran. Unlike CEOs who see themselves principally as members of an executive elite--an increasingly mobile club whose members measure their pay and privileges against other CEOs'--this group's ethos was a true corporate ethos, in the original, nonbusiness sense of the word corporate: "united or combined into one." They understood the central paradox of exceptional corporate leadership: On the one hand, a company depends more on the CEO than on any other individual. Only the CEO can make the really big decisions. Yet a company equally depends on the CEO's understanding that his or her role still represents less than 10% of the total puzzle. Much depended on them, but it was never about them.

Inclusion on this list would surprise, if not horrify, more than a few of them. But if the question is how to identify more of the right leaders--and how a new generation can learn to become the right leaders--there is no better answer than these ten. In an age of diminished standards, those they set loom larger than ever.

No. 10 David Packard rejected the CEO club

His eulogy pamphlet identified the Hewlett-Packard co-founder as "Rancher, etc."

In 1949, 37-year-old David Packard attended a meeting of business leaders. Fidgeting while they discussed how to squeeze more profit from their companies, he was finally unable to contain himself. "A company has a greater responsibility than making money for its stockholders," he asserted. Eyes turned toward his six-foot-five-inch frame. "We have a responsibility to our employees to recognize their dignity as human beings," Packard said, extolling his belief that those who help create wealth have a moral right to share in that wealth.

To his elders, Packard's ideas seemed borderline socialist if not outright dangerous. "I was surprised and shocked that not a single person at that meeting agreed with me," Packard reflected later. "It was quite evident they firmly believed I was not one of them, and obviously not qualified to run an important enterprise."

That was just fine with David Packard. He never wanted to be part of the CEO club; he belonged to the Hewlett-Packard club. In an era when bosses dwelt in mahogany-paneled sanctums, Packard took an open-door workspace among his engineers. He practiced what would become famous as "management by walking around." Most radical of all for the time, he shared equity and profits with all employees.

What set Packard apart, in other words, is that he wasn't a person set apart. His idea of a good time, according to a co-worker, was to get together with friends and string barbed wire. Despite being one of Silicon Valley's first self-made billionaires, he continued to live in the small, understated house he and his wife had built in 1957. And though he donated (with Hewlett) to Stanford University an amount comparable to the present value of Jane and Leland Stanford's original endowment, he never allowed his name to appear on any of its buildings while he was alive. By defining himself as an HP man first and a CEO second, Packard did more than demonstrate humility. He built a uniquely dedicated culture that became a fierce competitive weapon, delivering 40 consecutive years of profitable growth.

While Packard's values have since waned within HP, he did more to create the DNA of Silicon Valley than perhaps any other CEO. Like the heritage left by the architects of democracy in ancient Athens, the spirit of his and Hewlett's system lives on, far beyond the walls of the institution they built.

No. 9 Katharine Graham wasn't afraid of fear

The Nixon White House threatened her, but the chief of the Washington Post Co. didn't flinch.

On Aug. 3, 1963, Katharine Graham heard the crack of a gunshot within her house. She ran down-stairs to discover that her husband, Philip, lay dead by his own hand.

On top of the shock and grief, Graham faced another burden. Her father had put the Washington Post Co. in her husband's hands with the idea that he'd pass it along to their children. What would become of it now? Graham laid the issue to rest immediately: The company would not be sold, she informed the board. She would assume stewardship.

"Steward," however, would not describe Graham's approach to her new role. At the time, the Washington Post was an undistinguished regional paper; Graham aimed for people to speak of it in the same breath as the New York Times. A crucial decision point came in 1971 when she confronted what to do with the Pentagon Papers--a leaked Defense Department study that revealed government deceptions about the Vietnam war. The Times had already incurred a court injunction for publishing excerpts. If the Post published, it risked prosecution under the Espionage Act. That, in turn, could jeopardize the company's pending public stock offering and lucrative television licenses. "I would be risking the whole company on this decision," Graham wrote in her memoir, Personal History. Yet to opt for assured survival at the cost of the company's soul, she concluded, would be worse than not surviving. The Post published.

Eventually vindicated by the Supreme Court, it was a remarkable decision for an accidental CEO who suffered from lifelong feelings of insecurity; phrases like "I was terrified" and "I was quaking in my boots" pepper her memoir. That anxiety would soon reach a crescendo as Post reporters Bob Woodward and Carl Bernstein doggedly investigated what became known as Watergate. Today we take that story's outcome for granted. But at the time, the Post was largely alone in pursuing it. In choosing to publish, Graham built a great paper and, in turn, a great company--one that ranks among the 50 best-performing IPOs of the past quarter-century and earned the investment of Warren Buffett. Graham never awarded herself much credit, insisting that, with Watergate, "I never felt there was much choice." But of course, she did choose. Courage, it's said, is not the absence of fear, but the ability to act in its presence. By that definition, Katharine Graham may be the most courageous CEO on this list.

No. 8 William McKnight disciplined creativity

He gave fledgling ideas freedom to grow at 3M--but insisted they learn to stand on their own.

The early giants of industry tend to fall into one of two camps: Individual innovators (think Walt Disney) and system builders (think John D. Rockefeller). 3M's William McKnight falls into neither. Beginning in 1929, the bookish accountant fused the two models into something entirely new: a company that turned innovation into a systematic, repeatable process. While you couldn't predict exactly what McKnight's system would create, you could predict with certainty that it would create.

Many know the story of the 3M scientist who blasted a hole in his basement to house the machine that made his little sticky tabs--a product that had failed market tests--and how, like a drug dealer, he created a base of addicted users by distributing free samples to headquarters staff. It's one of many 3M stories that celebrate the lone spirit who persists against all odds. The oft-overlooked lesson, though, is the "all odds" part. It's precisely because 3M entrepreneurs must battle attempts to kill off their ideas that a handful of winners like Post-its emerge. Without this creative tension--freedom vs. discipline, innovation vs. control--all you have is chaos, or worse. Enron was a highly innovative culture that lacked discipline, innovating itself right out of existence.

"The test of a first-rate intelligence," wrote F. Scott Fitzgerald, "is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function." By that definition, McKnight was not just a first-rate intelligence, but a genius --a genius whose company was lucky by design.

No. 7 David Maxwell turned a turnaround into art

Fannie Mae was losing $1 million a day when he arrived--"an opportunity to make [it] into a great company."

In 1981, as the stock of Chrysler hit an all-time low, America was beginning its enthrallment with the man hired to save it. Lee Iacocca would soon be a national icon--bestselling author, star of more than 80 commercials, and everyone's image of a turnaround artist.

That same year, as the stock of Fannie Mae hit an all-time low, a different executive was hired to save the deeply troubled mortgage lender. David Maxwell would not become a national icon--nor even a recognizable name. Yet by the time both men retired in the early 1990s, Maxwell's Fannie Mae had beat the stock market at a rate more than twice that attained by Chrysler under Iacocca.

More inspired than inspiring, more diligent than dazzling, Maxwell took a burning house and not only saved it but built it into a cathedral. Some steps, such as selling off $10 billion in unprofitable mortgages, were classic fireman stuff. But his deepest genius was to frame the rebuilding around a mission: strengthening America's social fabric by democratizing home ownership. If Fannie Mae did its job well, people traditionally excluded from owning homes --minorities, immigrants, single-parent families--could more easily claim their part of the American dream. If turnaround is an art, Maxwell was its Michelangelo.

No. 6 James Burke acted before crisis hit

The former Johnson & Johnson boss is a legend revered--for the wrong reason.

Ask people to single out a courageous CEO action, and many will cite James Burke's decision to pull Tylenol capsules off the shelves in response to the cyanide-poisoning crisis of 1982, taking a $100 million hit to earnings along the way. It's a wonderful story. But it misses the point.

Burke's real defining moment occurred three years before, when he pulled 20 key executives into a room and thumped his finger on a copy of the J&J credo. Penned 36 years earlier by R.W. Johnson Jr., it laid out the "We hold these truths to be self-evident" of the Johnson & Johnson Co., among them a higher duty to "mothers and all others who use our products." Burke worried that executives had come to view the credo as an artifact--interesting, but hardly relevant to the day-to-day challenges of American capitalism.

"I said, 'Here's the credo. If we're not going to live by it, let's tear it off the wall,'" Burke later told Joseph Badaracco and Richard Ellsworth for their book Leadership and the Quest for Integrity. "We either ought to commit to it or get rid of it." The team sat there a bit stunned, wondering if Burke was serious. He was, and the room erupted into a debate that ended with a recommitment. Burke and his colleagues would conduct similar meetings around the world, restoring the credo as a living document.

No one could have predicted the act of terrorism perpetrated on J&J customers in 1982. But J&J's response was predictable. It didn't need to debate whether customer safety outweighed short-term financial concerns, because the debating was already done. Burke makes the list not because he led J&J through crisis; he makes it because he led in the absence of it.

No. 5 Darwin Smith asked questions and moved rocks

The Kimberly-Clark chief was told "You'll never be a leader" by the Army's officer-training school.

Lois Smith could tell a big decision was afoot at Kimberly-Clark whenever she heard the rumbling of a backhoe in the middle of the night. That was Darwin again, moving rocks from one pile to another. This was how her husband mulled over big decisions--and to judge by the huge piles still standing sentinel at Gotrocks Farm in Wisconsin, Smith was a champion muller.

When he became CEO of Kimberly-Clark in 1971, Smith faced a brutal fact: The company languished in mediocrity, the bulk of its capital tied up in giant paper mills. Yet Smith offered no vision statement, no splashy acquisition, no hoopla-laden change program. Instead he posed questions. What, he pressed his colleagues, could Kimberly-Clark be passionate about? What could it be best at in the world? What could improve its economics? For months he continued to ask questions and move rocks.

This was not Smith being indecisive. Diagnosed with nose and throat cancer shortly after becoming CEO, he told Lois what he'd learned from his illness. "If you have a cancer in your arm, you've got to have the guts to cut off your arm." He paused. "I've made a decision," he continued. "We're going to sell the mills."

The decision had grown out of one of Smith's dialogues in which a fellow executive noted that Kleenex, a sideline product, had become a brand synonymous with its category, like Coke or Band-Aid. In what a Kimberly-Clark director called the "gutsiest decision I've ever seen a CEO make," Smith jettisoned 100 years of corporate history, right down to the original mill in Kimberly, Wis. Analysts derided the loss of revenue. The stock took a hit. Forbes predicted disaster. But Smith's ruminations had equipped him with quiet steel.

A CEO must be willing to act boldly, yet boldness is worthless if you're wrong. It's an obvious point, but one routinely ignored by those caught up in the fanfare of big action. Smith grasped that it is better to be right than to be impressive.

And Smith got it right. Twenty-five years after becoming CEO, Kimberly-Clark was the world's No. 1 paper-based consumer-products company--its stock outperforming the market by a factor of four over that span--and owned its main rival, Scott Paper, outright. Smith moved rocks and, in the end, moved a rock that nobody thought could be moved.

No. 4 George Merck put profit second

The Merck & Co. boss didn't worry about Wall Street--and grew profits 50-fold.

Late one afternoon in 1978, Dr. William Campbell did what all great researchers do: He wondered at the data. While testing a new compound to battle parasites in animals, he was struck with the idea that it might be effective against another parasite--one that causes blindness and itching in humans so horrific that some victims have committed suicide. Campbell might have simply scribbled a note in the files and gone to lunch. After all, the potential "customers"--tribal people in remote tropical locations--would have no money to buy it. Undaunted, Campbell penned a memo to his employer, Merck & Co., urging pursuit of the idea. Today 30 million people a year receive Mectizan, the drug inspired by his observation, largely free of charge.

The most exceptional part of the story is that it wasn't an exception. "Medicine is for people, not for the profits," George Merck II declared on the cover of Time in August 1952--a rule his company observed in dispensing streptomycin to Japanese children following World War II. Yet fuzzy-headed moralistic fervor wasn't George Merck. Austere and patrician, he simply believed that the purpose of a corporation is to do something useful, and to do it very well. "And if we have remembered that, the profits have never failed to appear," he explained. "The better we remembered, the larger they have been." It's the mirror image of CEOs whose unhealthy fixations with Wall Street have served neither people nor profits: Merck served shareholders so well precisely because he served others first.

No. 3 Sam Walton overcame his charisma

"I have the personality of a promoter," the Wal-Mart founder wrote, but "the soul of an operator."

A Brazilian businessman once told me how he'd sent letters to the heads of ten U.S. retailers in the 1980s, asking to visit to see how they ran a retail operation. Most didn't bother to reply, and those who did sent a polite "No, thank you." All except Sam Walton.

When the Brazilian and his colleagues stepped off the plane in Bentonville, Ark., a white-haired man asked if he could help. "We're looking for Sam Walton," they said, to which the man replied, "That's me." Walton led them to his truck and introduced his dog, Roy. As they rumbled around in the front cab of Walton's pickup, the Brazilian billionaires were pummeled with questions. Eventually it dawned on them: Walton had invited them to Bentonville so that he could learn about South America. Later Walton visited his friends in Sao Paulo. Late one afternoon there was a phone call from the police. Walton had been crawling around in stores on his hands and knees measuring aisle widths and had been arrested.

The story encapsulates some of Walton's greatest strengths, notably his hunger for learning. But it also points to his biggest liability: his singularly charismatic personality. Companies built around a cult of personality seldom last. After Sam, would Wal-Mart decline like a church that loses its inspirational pastor?

Yet Walton himself refused to let his colorful personality distract from his central message: to make better things ever more affordable to people of lesser means. And before his death in 1992, he made two brilliant moves to ensure that idea would outlast him. First, he set a goal that he knew would be unachievable in his lifetime: to grow annual sales from less than $30 billion to $125 billion by the year 2000. Second, so that no personality would become bigger than the idea, he picked a successor who had seemingly undergone a charisma bypass. Under David Glass (above, right), Wal-Mart blew right past the $125 billion goal, clocking in at $165 billion in 2000.

Walton knew better than anyone the dangers of charismatic leadership. He proved that, like any other handicap, it can be overcome.

No. 2 Bill Allen thought bigger

"Don't talk too much," Boeing's new chief admonished himself. "Let others talk."

Its planes helped win the war--yet victory in 1945 looked like death for Boeing. Revenues plummeted more than 90% as orders for bombers vanished overnight. And bombers, everyone knew, were what Boeing was all about.

Everyone, that is, but its new leader. An understated lawyer who said he wasn't qualified for the job, Bill Allen never saw Boeing as the bomber company. It was the company whose engineers built amazing flying machines. In 1952 he bet heavily on a new commercial jet, the 707. At the time, Boeing had no business being in the commercial market, or at least that's what potential customers said. ("You make great bombers up there in Seattle. Why don't you stick with that?") Yet Allen's time frames were bigger too. He saw that Boeing could compete by changing the industry. Under his leadership, Boeing built the 707, 727, 737, and 747--four of the most successful bets in industrial history. At a board meeting described by Robert Serling in Legend & Legacy, a director said that if the 747 was too big for the market to swallow, Boeing could back out. "Back out?" stiffened Allen. "If the Boeing Aircraft Co. says we will build this airplane, we will build it even if it takes the resources of the entire company." Like today's CEOs, he endured the swarming gnats who think small: short time frames, pennies per share, a narrow purpose. Allen thought bigger--and left a legacy to match.

No. 1 Charles Coffin built the stage on which they all played

General Electric's first president didn't see himself as a genius; he came from the shoe business.

Most people have never heard of Charles Coffin--and that's the ultimate testimony to his greatness. His predecessor had something to do with this. No CEO finds it easy to take over from a founding entrepreneur; now imagine that founder holds patents on the electric light, the phonograph, the motion picture, the alkaline battery, and the dissemination of electricity. But Coffin knew his job was not to be the next Thomas Edison--though Coffin, too, would prove a master inventor. His invention was the General Electric Co.

Coffin oversaw two social innovations of huge significance: America's first research laboratory and the idea of systematic management development. While Edison was essentially a genius with a thousand helpers, Coffin created a system of genius that did not depend on him. Like the founders of the U.S., he created the ideology and mechanisms that made his institution one of the world's most enduring and widely emulated.

Edison's wouldn't be the only name to overshadow his. Coffin's era (1892-1912) became known as the "Steinmetz era," in homage to the brilliant GE electrical engineer Charles P. Steinmetz. What little name recognition Coffin did enjoy would then be obliterated by the likes of Swope, Cordiner, Jones, and Welch--GE CEOs who became giants in their own day.

Jack Welch's stature, in particular, reached a point where GE was called the House That Jack Built. In fact, Welch was as much a product of GE as vice-versa. Certainly Welch vastly improved the system, and history will likely judge him a great executive. He was a master at developing general managers and steadily increasing profit per unit of executive talent. But Welch did not invent this concept; he inherited it.

The same cannot be said of Charles Coffin. More than any other leader, Coffin made GE into a great company, creating the machine that created a succession of giants. For that reason, he stands a notch above the CEOs whose names eclipsed his. He built the stage on which they all played.

JIM COLLINS is the author of Good to Great and co-author of Built to Last