



Built to Last

Successful Habits of Visionary Companies

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Introduction

A six-year research project at Stanford University scrutinizes eighteen truly exceptional and long-lasting companies. The companies studied have an average age of nearly one hundred years and have outperformed the stock market by a factor of 15 since 1926. Each company is evaluated in direct comparison to one of its top competitors — itself a good company of roughly the same age. The study was designed to ask and answer, “What makes truly great companies different from other companies?”

Myths

The study’s findings shattered twelve common myths and produced several surprising and counterintuitive discoveries:

Myth 1: It takes a great idea to start a great company.

Reality: Few of the visionary companies began with a great idea. Several began without any idea at all, and a few began with outright failures. Like the tortoise and the hare, visionary companies often get off to a slow start but win the long-term race.

Myth 2: Visionary companies require great and charismatic leaders.

Reality: A charismatic leader is definitely not required and can even be detrimental. Some of the

most significant CEOs in history did not fit the charismatic model and some even deliberately shied from it. Those who focus on architecting an enduring institution lead great companies. They are clock builders, not time tellers.

Myth 3: The most successful companies exist first and foremost to maximize profits.

Reality: “Maximizing shareholder wealth” or “profit maximization” has not been the dominant driving force in great companies. They pursue a cluster of objectives of which profit is one, but not necessarily the primary one. A core ideology — core values and sense of purpose beyond making money — guides them, yet they make more money than those who are driven primarily by a profit goal.

Myth 4: Visionary companies share a common subset of “correct” core values.

Reality: There is no “right” set of core values. Two visionary companies can have radically different core values, yet both be great companies. Core values do not have to be “enlightened” or “humanistic” yet they often are. What makes the difference is how deeply a company believes in and lives, breathes and expresses its core values in everything it does.

Myth 5: The only constant is change.

Reality: A visionary company religiously pre-

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serves its core ideology, changing it seldom — if ever. Core values form a rock-solid foundation and do not drift with trends. The basic purpose of a visionary company can serve as a guiding beacon for centuries. Yet, while keeping core ideologies tightly fixed, visionary companies display a powerful drive for progress that enables them to change and adapt without compromising core ideals. This is at the heart of one of the authors, fundamental recommendations and encapsulates the remaining findings: To be a visionary company, preserve the core while stimulating progress.

Myth 6: Blue-chip companies play it safe.

Reality: Visionary companies are not afraid to commit themselves to Big Hairy Audacious Goals. A BHAG can be daunting and risky, but the adventure and excitement get juices flowing and creates extraordinary forward momentum. Visionary companies have used them to blast past the competition at crucial points in their history, and in some cases have even “bet the company” (successfully) on one goal.

Myth 7: Visionary companies are great places to work, for everybody.

Reality: Only those who fit with the core ideology and demanding standards of a visionary company will find it a great place to work. You will fit and flourish or be expunged like a virus — there is no middle ground. Visionary companies are very clear about what they are trying to accomplish and do not have room for those unwilling or unable to fit with cult-like, exacting standards.

Myth 8: Highly successful companies make their best moves by brilliant and complex strategic planning.

Reality: Visionary companies often make their best moves by experimentation, trial and error, and opportunism — literally sometimes through “accident.” What in retrospect may look like brilliant foresight was often the result of, “Let’s try a lot of stuff and see what works.” In this respect, visionary companies mimic the biological evolution of the species: what is fit, survives.

Myth 9: Companies should hire outside CEOs to simulate fundamental change.

Reality: In seventeen hundred years of combined

lifespan across visionary companies, there have been only four instances of going outside for a CEO, and those in only two companies. Visionary companies are six times more likely than their less successful competitors to have home grown management.

Myth 10: The most successful companies focus on beating the competition.

Reality: Visionary companies focus primarily on beating themselves. Beating competitors comes as a residual result of relentlessly (daily) asking themselves the question, “How can we improve ourselves to do better tomorrow what we did today?” No matter how much they achieve, nor how much better than competitors they feel they are, they never think they have done enough.

Myth 11: You can’t have your cake and eat it too.

Reality: Visionary companies do not brutalize themselves with the “Tyranny of the OR.” They reject the purely rational notion that you can have A or B, but not both. They reject having to choose between stability OR progress, cult-like cultures OR individual autonomy, etc. They embrace the “Genius of the AND.” They have a paradoxical view that allows them to pursue apparent opposites at the same time.

Myth 12: Companies become visionary primarily through “vision statements.”

Reality: Although visionary companies have made such pronouncements and statements — more frequently than competitors and decades before it was fashionable — they did so only as one of a thousand steps to greatness in a never ending alignment process that expresses all the other fundamental characteristics of being a visionary company.

Foundations of Outstanding Companies

The study identifies the following as crucial underpinning concepts for building a truly outstanding company.

- Be a clock builder — not a time teller.
- Embrace the “Genius of the AND.”
- Preserve the core and stimulate progress.
- Seek consistent alignment.

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