

## **BUILT TO LAST BY JIM COLLINS | BOOK SUMMARY**

In this book, Jim Collins examines a selection of ‘Visionary Companies’, he compares these to other companies and identifies what it takes to run a visionary company. By debunking myths and examining ideologies this book is well researched and an excellent guide to creating a successful business or organization that will prosper over a long period of time.

### **THE BEST OF THE BEST**

#### **Visionary Companies**

Visionary companies are premier institutions—the crown jewels—in their industries, widely admired by their peers and having a long track record of making a significant impact on the world around them. The key point is that a visionary company is an *\_organization\_*—an institution. *All* individual leaders, no matter how charismatic or visionary, eventually die; and all visionary products and services—all “great ideas”—eventually become obsolete. Indeed, entire markets can become obsolete and disappear. Yet visionary *companies* prosper over long periods of time, through multiple product life cycles and multiple generations of active leaders.

They are *more* than successful. They are *more* than enduring. In most cases, they are the best of the best in their industries, and have been that way for decades. Many of them have served as role models—icons, really—for the practice of management around the world.

Indeed, all of the visionary companies face setbacks and make mistakes at some point during their lives. Yet—and this is a key point—visionary companies display a remarkable *resiliency*, an ability to bounce back from adversity. As a result, visionary companies attain extraordinary *long-term* performance.

### **CLOCK BUILDING, NOT TIME TELLING**

Having a great idea or being a charismatic visionary leader is “time telling”; building a company that can prosper far beyond the presence of any single leader and through multiple product life cycles is “clock building.”

The builders of visionary companies tend to be clock builders, not time tellers. They concentrate primarily on building an organization—building a ticking clock—rather than on hitting a market just right with a visionary product idea and riding the growth curve of an attractive product life cycle. And instead of concentrating on acquiring the individual personality traits of visionary leadership, they take an architectural approach and concentrate on building the organizational traits of visionary companies. Their greatest creation is *the company itself* and what it stands for.

### **The myth of the “great idea”**

If you are a prospective entrepreneur with the desire to start and build a visionary company but have not yet taken the plunge because you don’t have a “great idea,” you should be encouraged to lift from your shoulders the burden of the great-idea myth. Indeed, the evidence suggests that it might be better to *not* obsess on finding a great idea before launching a company. Why? Because the great-idea approach shifts your attention away from seeing the company as your ultimate creation.

Visionary companies are much less likely to begin life with a so-called “great idea”. Shift from seeing the company as a vehicle for the products to seeing the products as a vehicle for the company.

### **The myth of the great and charismatic leader**

If you’re a high-profile charismatic leader, fine. But if you’re not, then that’s fine, too, for you’re in good company right along with those that built companies like 3M, P&G, Sony, Boeing, HP, and Merck. Not a bad crowd. There’s no denying that a superb individual with great charisma makes a great leader, but the point is that you don’t have to fit the stereotype.

### **NO “TYRANNY OF THE OR”**

The book uses the yin/yang symbol from Chinese dualistic philosophy. This is used to represent a key aspect of highly visionary companies; they do not oppress themselves with what we call the “Tyranny of the OR”—the rational view that cannot easily accept paradox that cannot live with two seemingly contradictory forces or ideas at the same time. The “Tyranny of the OR” pushes people to believe that things must be either A *OR* B, but *not both*. It makes such proclamations as -“You can have change *OR* stability.”

Instead of being oppressed by the “Tyranny of the OR,” highly visionary companies liberate themselves with the “Genius of the AND”—the ability to embrace both extremes of a number of dimensions at the same time. Instead of choosing between A *OR* B, they figure out a way to have both A *AND* B. For example, a visionary company can be clear vision and sense of direction *AND* opportunistic groping and experimentation.

## **MORE THAN PROFITS**

A fundamental element in the “ticking clock” of a visionary company is a *\_core ideology\_*—core values and sense of purpose beyond just making money—that guides and inspires people throughout the organization and remains relatively fixed for long periods of time.

Yes, visionary companies pursue profits. And, yes, they pursue broader, more meaningful ideals. Profit maximization does not rule, but the visionary companies pursue their aims profitably. They do *both*.

Profitability is a necessary condition for existence and a means to more important ends, but it is not the end in itself for many of the visionary companies. Profit is like oxygen, food, water, and blood for the body; they are not the *point* of life, but without them, there is no life.

One of Walt Disney’s ideologies for the company was “to bring happiness to millions”, and celebrate, nurture and promulgate “wholesome American values”.

### **Guidelines for Core Ideologies**

Core Ideology = Core Values + Purpose

Core Values = the organization’s essential and enduring tenets—a small set of general guiding principles; not to be confused with specific cultural or operating practices; not to be compromised for financial gain or short-term expediency.

Purpose = the organization’s fundamental reasons for existence beyond just making money—a perpetual guiding star on the horizon; not to be confused with specific goals or business strategies.

## **PRESERVE THE CORE/STIMULATE PROGRESS**

But core ideology alone, as important as it is, does not—indeed *cannot*—make a visionary company. A company can have the world's most deeply cherished and meaningful core ideology, but if it just sits still or refuses to change, the world will pass it by.

*“You can’t just keep doing what works one time, because everything around you is always changing. To succeed, you have to stay out in front of that change.”*

It is absolutely essential to not confuse core ideology with culture, strategy, tactics, operations, policies, or other noncore practices. Over time, cultural norms must change; strategy must change; product lines must change; goals must change; competencies must change; administrative policies must change; organization structure must change; reward systems must change. Ultimately, the *only* thing a company should *not* change over time is its core ideology—that is, if it wants to be a visionary company.

### **Drive**

The drive for progress arises from a deep human urge—to explore, to create, to discover, to achieve, to change, to improve. The drive for progress is not a sterile, intellectual recognition that “progress is healthy in a changing world” or that “healthy organizations should change and improve” or that “we should have goals”; rather, it’s a deep, inner, compulsive—almost primal—*drive*. As Henry Ford said, “you have to keep doing and going”.

Through the drive for progress, a highly visionary company displays a powerful mix of self-confidence combined with self-criticism. Self-confidence allows a visionary company to set audacious goals and make bold and daring moves, sometimes flying in the face of industry conventional wisdom or strategic prudence; it simply never occurs to a highly visionary company that it can’t beat the odds, achieve great things, and become something truly extraordinary.

Self-criticism, on the other hand, pushes for *self*-induced change and improvement *before* the outside world imposes the need for change and improvement; a visionary company thereby becomes its own harshest critic. As such, the drive for progress pushes from within for continual change and forward movement in everything that is not part of the core ideology.

### **Preserve and Stimulate**

The core ideology enables progress by providing a base of continuity around which a visionary company can evolve, experiment, and change. By being clear about what is core (and therefore relatively fixed), a company can more easily seek variation and movement in all that is not core.

The drive for progress enables the core ideology, for without continual change and forward movement, the company—the carrier of the core—will fall behind in an ever changing world and cease to be strong, or perhaps even to exist.

## **BHAG - BIG HAIRY AUDACIOUS GOALS**

All companies have goals. But there is a difference between merely having a goal and becoming committed to a huge, daunting challenge—like a big mountain to climb.

A true BHAG is clear and compelling and serves as a unifying focal point of effort—often creating immense team spirit. It has a clear finish line, so the organization can know when it has achieved the goal; people like to shoot for finish lines. A BHAG engages people—it reaches out and grabs them in the gut. It is tangible, energizing, highly focused. People “get it” right away; it takes little or no explanation.

General Electric’s BHAG was “become #1 or #2 in every market we serve and revolutionize this company to have the speed and agility of a small enterprise”.

## **CULT-LIKE CULTURES**

You don’t need to create a “soft” or “comfortable” environment to build a visionary company. Visionary companies tend to be more demanding of their people than other companies, both in terms of performance and congruence with the ideology.

“VISIONARY,” does not mean soft and undisciplined. Quite the contrary. Because the visionary companies have such clarity about who they are, what they’re all about, and what they’re trying to achieve, they tend to not have much room for people unwilling or unsuited to their demanding standards.

A cult-like culture can actually *enhance* a company's ability to pursue Big Hairy Audacious Goals, precisely because it creates that sense of being part of an elite organization that can accomplish just about anything.

## **TRY A LOT OF STUFF AND KEEP WHAT WORKS**

Visionary companies, often make some of their best moves not by detailed strategic planning, but rather by experimentation, trial and error, opportunism, and—quite literally—accident. What looks in hindsight like a brilliant strategy was often the residual result of opportunistic experimentation and “purposeful accidents.”

### **Evolutionary Process**

The evolutionary process can be described as “branching and pruning.” The idea is simple: If you add enough branches to a tree (variation) and intelligently prune the deadwood (selection), then you'll likely evolve into a collection of healthy branches well positioned to prosper in an ever-changing environment.

1. Give it a try – and quick
2. Accept that mistakes will be made
3. Take small steps
4. Give people the room they need
5. Mechanisms – build that ticking clock!

## **HOME-GROWN MANAGEMENT**

Visionary companies develop, promote, and carefully select managerial talent grown from inside the company to a greater degree than the comparison companies. They do this as a key step in preserving their core.

In short, it is not the quality of leadership that most separates the visionary companies from the comparison companies. It is the *continuity* of quality leadership that matters— continuity that preserves the core.

From the perspective of building a visionary company, the issue is not only how well the company will do during the current generation. The crucial question is, how well will the company perform in the *next* generation, and the next generation

after that, and the next generation after that? All individual leaders eventually die. But a visionary company can tick along for centuries, pursuing its purpose and expressing its core values long beyond the tenure of any individual leader.

## **GOOD ENOUGH NEVER IS**

For visionary companies, the critical question is “\_How can we do better tomorrow \_than we did today?\_” They institutionalize this question as way of life—a habit of mind and action. Superb execution and performance naturally come to the visionary companies not so much as an end goal, but as the residual result of a never-ending cycle of self-stimulated improvement and investment for the future. There is no ultimate finish line in a highly visionary company. There is no “having made it.” There is no point where they feel they can coast the rest of the way, living off the fruits of their labour.

Don’t get comfortable - visionary companies thrive on discontent. They understand that contentment leads to complacency, which inevitably leads to decline.

## **THE END OF THE BEGINNING**

A statement might be a good first step, but it is *only* a first step. The essence of a visionary company comes in the translation of its core ideology and its own unique drive for progress into the very fabric of the organization—into goals, strategies, tactics, policies, processes, cultural practices, management behaviours, building layouts, pay systems, accounting systems, job design—into *everything* that the company does. A visionary company creates a total environment that envelops employees, bombarding them with a set of signals so consistent and mutually reinforcing that it’s virtually impossible to misunderstand the company’s ideology and ambitions.

## **BUILDING THE VISION**

A well-conceived vision consists of two major components—\_core ideology\_ and an *envisioned future*. A good vision builds on the interplay between these two complementary yin-andyang forces: it defines “what we stand for and why we exist” that does not change (the core ideology) and sets forth “what we aspire to become, to achieve, to create” that will require significant change and progress to

attain (the envisioned future). To pursue the vision means to create organizational and strategic alignment to preserve the core ideology and stimulate progress toward the envisioned future. Alignment brings the vision to life, translating it from good intentions to concrete reality.