

BUILT TO LAST: SUCCESSFUL HABITS OF VISIONARY COMPANIES By Jim Collins and Jerry I.

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Conclusion INTRODUCTION "Built to Last" is the result of a six-year research project at Stanford University examining what makes truly great companies endure and prosper over decades.

Jim Collins and Jerry Porras studied 18 exceptional companies—"visionary companies"—and compared them to direct competitors to identify what sets them apart.

The Core Question: What makes a company truly great and able to endure for generations?

The Research: - 18 visionary companies - Average

founding date: 1897 - Compared to direct competitors -
Examined over entire history - Identified common patterns
The Visionary Companies Studied: - 3M - American
Express - Boeing - Citigroup - Ford - General Electric -
Hewlett-Packard - IBM - Johnson & Johnson

- Marriott - Merck - Motorola - Nordstrom - Philip
Morris - Procter & Gamble - Sony - Wal-Mart - Walt
Disney The Key Finding: Visionary companies don't rely
on great ideas, charismatic leaders, or perfect strategies.

They build organizational capabilities that transcend any
individual leader or product.

The book shatters twelve myths about what makes great
companies: 1.

It takes a great idea to start a company 2.

Visionary companies require great and charismatic leaders

3.

The most successful companies exist to maximize profits

4.

Visionary companies share a common set of "correct" values 5.

The only constant is change 6.

Blue-chip companies play it safe 7.

Visionary companies are great places to work for everyone 8.

Highly successful companies make their best moves by brilliant strategic planning 9.

Companies should hire outside CEOs to stimulate change

10.

The most successful companies focus on beating the competition 11.

You can't have your cake and eat it too 12.

Companies become visionary primarily through vision statements This book matters because it: - Provides evidence-based insights - Challenges conventional wisdom - Offers practical frameworks - Applies to any organization - Focuses on long-term success CHAPTER

1: THE BEST OF THE BEST Defining Visionary

Companies Visionary companies are: - Premier institutions in their industries - Widely admired by peers - Have made indelible impact on the world - Have had multiple generations of CEOs

- Have been through multiple product life cycles - Were founded before 1950 The Selection Criteria: - CEO survey of most admired companies - Long track record of superior performance - Made significant impact beyond financial success - Multiple generations of leadership - Founded before 1950 (to ensure longevity) The Comparison Companies: For each visionary company, a direct competitor: - Same industry - Founded around same time - Similar early circumstances - But didn't achieve same level of success Examples: - 3M vs.

Norton - General Electric vs.

Westinghouse - Hewlett-Packard vs.

Texas Instruments - Sony vs.

Kenwood - Wal-Mart vs.

Ames The Performance Gap: From 1926 to 1990: -
Visionary companies returned 15x the general market -
Comparison companies returned 2x the general market -
Visionary companies outperformed comparisons by 6x
This wasn't luck—it was systematic differences in how
they operated.

The Surprising Findings Finding 1: Great Ideas Not
Required - Many visionary companies didn't start with
great ideas - HP started with no clear product - Sony's
first product was a rice cooker that didn't work - Success
came from building great organizations, not great initial
ideas Finding 2: Charismatic Leaders Not Required -
Many founders were not charismatic - William Procter
and James Gamble were ordinary - William McKnight
(3M) was described as "colorless"

- Success came from building institutions, not personal charisma
Finding 3: Profit Not the Primary Goal -
Visionary companies pursue purpose beyond profit -
Profit is essential but not the primary driver - They're guided by core values and purpose - This paradoxically leads to greater long-term profits
The Core Concept
Visionary companies are like biological species: - They evolve and adapt - They preserve core characteristics - They stimulate progress and change - They survive and thrive over generations
The key is preserving the core while stimulating progress.

CHAPTER 2: CLOCK BUILDING, NOT TIME

TELLING The Central Metaphor Time Telling: - Having a great idea - Being a charismatic leader - Making a brilliant strategic move - Creating a hit product
Clock Building: - Building an organization - Creating systems

and processes - Developing capabilities - Building something that lasts beyond any individual The Difference: - Time tellers are dependent on the individual - Clock builders create something independent of any person - Time telling is about the moment - Clock building is about enduring The Research Finding: Visionary company founders were more focused on building great companies than on hitting it big with a great idea.

Examples: Hewlett-Packard: - Started with no clear product idea - Focused on building a great company - Tried various products - Eventually found their way - The company mattered more than any product Sony: - Akio Morita focused on building an organization - Not just creating hit products - Built capabilities that could create many products - The organization was the ultimate

creation 3M: - William McKnight built systems for innovation - Not just individual innovations - Created a company that continuously innovates - The innovation system mattered more than any innovation The Architectural Approach Visionary company founders were organizational architects: - They designed the organization - They built systems and processes - They created cultures - They developed capabilities This architectural approach: - Transcends any individual - Survives leadership changes - Adapts to changing circumstances - Endures over generations The Implications For Entrepreneurs: - Focus on building a great company, not just a great product - Invest in organizational capabilities - Create systems and processes - Think beyond the initial idea For Leaders:

- Your job is to build the organization - Not just to be the smartest person - Not just to have all the answers - But to create a company that can thrive without you For

Organizations: - Invest in capabilities, not just products - Build systems, not just strategies - Develop culture, not just plans - Think long-term, not just quarterly

CHAPTER 3: NO "TYRANNY OF THE OR" The

Tyranny of the OR The Tyranny of the OR is the belief that you must choose: - Change OR stability - Low cost OR high quality - Conservative OR bold - Idealism OR profitability - Planning OR opportunism This creates false choices and limits possibilities.

The Genius of the AND Visionary companies embrace the

Genius of the AND: - They pursue both extremes

simultaneously - They refuse to choose - They find ways to have both - They transcend either/or thinking

Examples: Purpose AND Profit: - Visionary companies are driven by purpose - AND they're highly profitable - Purpose doesn't exclude profit - Profit doesn't exclude purpose - They pursue both Continuity AND Change: - They preserve core values - AND they stimulate progress

- They're stable in core - AND adaptive in practices - They have both Conservative AND Bold: - They're conservative in finances - AND bold in goals - They're prudent in operations - AND audacious in vision - They balance both Ideological AND Pragmatic: - They're ideological about core values - AND pragmatic about practices - They're rigid about purpose - AND flexible about methods - They maintain both The Yin and Yang Visionary companies are like yin and yang: - Opposite forces in balance - Each extreme strengthens the other -

Tension creates energy - Balance creates sustainability

Examples of AND thinking: 3M: - Highly disciplined

AND highly innovative - Strong culture AND individual

freedom - Long-term focus AND quarterly performance

Hewlett-Packard: - Respect for individual AND teamwork

- Autonomy AND accountability - Innovation AND

operational excellence Johnson & Johnson: -

Decentralized AND coordinated - Independent units AND

shared values - Local autonomy AND global standards

The Implications

For Strategy: - Don't accept false choices - Find ways to

pursue both - Use tension creatively - Transcend either/or

thinking For Leadership: - Embrace paradox - Balance

opposites - Don't choose sides - Pursue both extremes

For Organizations: - Build systems that enable both -

Create structures that balance - Develop capabilities for paradox - Sustain creative tension CHAPTER 4:

PRESERVE THE CORE/STIMULATE PROGRESS The

Core Ideology Core Ideology = Core Values + Purpose

Core Values: - Essential and enduring tenets - Small set of timeless principles - Not to be compromised -

Independent of current environment Purpose: -

Fundamental reason for existence - Beyond just making money - Guides and inspires - Never fully achieved

Examples of Core Values: Hewlett-Packard: - Respect for individuals - Contribution to society - Achievement and contribution

Johnson & Johnson: - Customers first - Employees second - Shareholders third - Community fourth

Nordstrom: - Service to the customer above all else -

Hard work and productivity - Continuous improvement

Examples of Purpose: 3M: - To solve unsolved problems

innovatively Hewlett-Packard: - To make technical

contributions for the advancement of humanity Merck: -

To preserve and improve human life Walt Disney: - To

make people happy The key: Core ideology is discovered,

not created.

It's what you truly believe, not what you think you should

believe.

Preserving the Core Visionary companies preserve their

core ideology: - It doesn't change with trends - It's not

compromised for profit - It guides all decisions - It's

reinforced constantly Methods of preservation: - Hiring

for cultural fit - Indoctrination of new members -

Reinforcement through stories - Alignment of systems and

practices - Removal of those who don't fit This creates stability and identity.

Stimulating Progress While preserving core, visionary companies stimulate progress: - Continuous improvement - Innovation and change - New goals and challenges - Evolution and adaptation This creates vitality and growth.

The Balance The magic is in the balance: - Preserve core ideology (stability) - Stimulate progress (change) - Fixed purpose (direction) - Flexible practices (adaptation) This creates companies that: - Have clear identity - Adapt to changing world - Maintain continuity - Embrace change - Endure over time The Implications For Strategy: - Clarify your core ideology - Preserve it fiercely - Change everything else - Use core as guide for change For Leadership: - Articulate core values and purpose - Model

them consistently - Reinforce them constantly - Lead change within that framework For Organizations: - Identify what's truly core - Distinguish core from practices - Preserve core, change practices

- Use core to guide evolution CHAPTER 5: BIG HAIRY AUDACIOUS GOALS The BHAG Concept BHAG = Big Hairy Audacious Goal Characteristics: - Clear and compelling - Serves as focal point - Creates team spirit - Requires 10-25 years - Has clear finish line - Engages people BHAGs are not just goals—they're bold missions that galvanize organizations.

Types of BHAGs 1.

Target BHAGs: - Quantitative or qualitative target - Clear and measurable - Specific finish line Examples: - Boeing

in 1950s: Become dominant player in commercial aircraft

- Wal-Mart in 1990: Become \$125 billion company by

2000 - Stanford in 1940s: Become Harvard of the West 2.

Common Enemy BHAGs: - Focused on defeating

competitor - David vs.

Goliath mentality - Unifying and motivating Examples: -

Nike in 1960s: Crush Adidas - Honda in 1970s: Yamaha

wo tsubusu!

(We will crush Yamaha!

) - Philip Morris in 1950s: Knock off RJR as number one

tobacco company 3.

Role Model BHAGs: - Emulate another organization -

Adapted to your context - Aspirational comparison

Examples: - Stanford: Become Harvard of the West - Giro Sport Design: Become Nike of cycling industry 4.

Internal Transformation BHAGs: - Fundamental change in organization - Reinvention or renewal - Major shift

Examples: - GE under Jack Welch: Become #1 or #2 in every market or get out - Rockwell: Transform from

defense to commercial The Power of BHAGs BHAGs

create: - Clear focus - Team unity - Sense of urgency -

Commitment - Progress measurement - Excitement and

energy They're not just goals—they're missions that

inspire.

BHAG Guidelines Good BHAGs: - Aligned with core

ideology - Clear and compelling - Bold and exciting -

Achievable but difficult - Specific finish line - Engage

people emotionally Bad BHAGs: - Inconsistent with core

values - Vague or confusing - Too easy or impossible -

No clear finish line - Don't inspire The BHAG Process

1.

Understand your core ideology 2.

Assess current reality 3.

Identify bold possibility 4.

Set clear target 5.

Communicate compellingly 6.

Align organization 7.

Track progress 8.

Celebrate milestones The Implications For Strategy: - Set

bold, long-term goals - Make them clear and compelling -
Align with core ideology - Use to focus organization For
Leadership: - Articulate inspiring vision - Communicate
it constantly - Align resources to achieve it - Celebrate
progress For Organizations: - Rally around common goal
- Focus collective effort - Measure progress - Sustain
commitment over years CHAPTER 6: CULT-LIKE
CULTURES The Cult Analogy Visionary companies
have cult-like cultures: - Strong ideology - Indoctrination
of members - Tightness of fit - Elitism But they're not
actual cults—they're productive organizations with strong
cultures.

The Four Elements

- 1.

Fervently Held Ideology: - Core values deeply believed -
Purpose passionately pursued - Not just words on wall -
Lived daily 2.

Indoctrination: - Extensive onboarding - Cultural training
- Reinforcement of values - Socialization into culture 3.

Tightness of Fit: - Either fit or don't - No middle ground
- Those who fit thrive - Those who don't leave 4.

Elitism: - Pride in belonging - High standards - Selective
membership - Special identity Examples: Nordstrom: -
Fanatical customer service - Extensive training - Either
embrace it or leave - Pride in being "Nordstrom person"

Disney: - Strict appearance standards - Extensive "Disney
University" - Total commitment to magic - Pride in being
"cast member" IBM: - Strong culture of excellence -
Extensive training programs - Fit the IBM way or leave -

Pride in being "IBMer"

The Benefits Strong cultures create: - Alignment around values - Consistency in behavior - Efficiency in operations - Commitment from members - Competitive advantage The Risks Strong cultures can: - Become rigid - Resist necessary change - Exclude valuable diversity - Create groupthink The key: Preserve core ideology while stimulating progress.

The Implications For Strategy: - Define your culture clearly - Make it strong, not weak - Align it with core ideology - Use it as competitive advantage For Leadership: - Model the culture - Reinforce it constantly - Hire for fit - Remove those who don't fit For Organizations: - Invest in indoctrination - Create cultural rituals - Celebrate cultural heroes - Maintain standards

CHAPTER 7: TRY A LOT OF STUFF AND KEEP

WHAT WORKS The Evolutionary Approach Visionary companies evolve like biological species:

- Try many variations
- Keep what works
- Discard what doesn't
- Adapt continuously

This is not random—it's systematic experimentation.

The Branch and Prune Method Like a tree:

- Grow many branches (experiments)
- Prune what doesn't work

- Nurture what does
- Repeat continuously

This creates:

- Continuous innovation
- Adaptation to environment

Resilience - Long-term success Examples: 3M:

- 15% rule (spend 15% time on own projects)
- Thousands of experiments

- Keep successful products
- Kill

- unsuccessful ones
- Continuous innovation

Johnson &

- Decentralized structure
- Many autonomous

units - Try different approaches - Keep what works -
Prune what doesn't Hewlett-Packard: - "Next bench
syndrome" - Engineers try ideas - Company supports
experiments - Successful ones become products -
Unsuccessful ones are learning

The Mechanisms 1.

Give it a Try: - Bias toward action - Experiment quickly
- Learn from results - Iterate rapidly 2.

Accept Mistakes: - Mistakes are learning - Failure is
feedback - Punish inaction, not mistakes - Celebrate
intelligent failures 3.

Take Small Steps: - Don't bet company on one idea -
Make many small bets - Reduce risk - Increase learning
4.

Get Operational Quickly: - Don't over-plan - Launch and learn - Adjust based on reality - Iterate rapidly The Implications For Strategy: - Don't rely on perfect planning - Make many small bets - Learn from experiments - Adapt based on results For Leadership: - Encourage experimentation - Accept intelligent failures - Reward learning - Create safe environment for trying For Organizations: - Build systems for experimentation - Decentralize decision-making - Move quickly

- Learn continuously CHAPTER 8: HOME-GROWN MANAGEMENT The Insider Advantage Visionary companies promote from within: - 97% of CEOs were insiders - Comparison companies: 50% insiders - This preserves culture - Ensures continuity The Benefits Cultural Continuity: - Leaders understand culture -

They've been socialized - They preserve core - They maintain identity
Institutional Knowledge: - Deep understanding of business - Relationships throughout organization - Historical perspective - Contextual wisdom

Credibility: - Earned respect over time - Proven track record - Known by organization - Trusted by members

The Development Process Visionary companies develop leaders: - Extensive training programs - Rotational assignments - Mentoring and coaching - Progressive responsibility - Long-term development Examples: GE:

- Crotonville leadership development - Rotational programs - Succession planning - Deep bench of leaders

Procter & Gamble: - Promote from within policy -

Extensive training - Brand management system -

Leadership pipeline IBM: - Management development

programs - Rotational assignments - Succession planning

- Internal promotion The Exceptions Visionary

companies hire outsiders when: - Company has drifted

from core - Need to return to fundamentals - Insider pool

is weak - Major transformation needed But even then,

they often hire people who understand the culture.

The Implications For Strategy: - Invest in leadership

development - Build internal pipeline - Plan for

succession - Develop deep bench For Leadership: -

Mentor next generation - Create development

opportunities - Identify high potentials - Invest in their

growth For Organizations: - Promote from within -

Develop leaders systematically

- Create rotational programs - Build leadership capability

CHAPTER 9: GOOD ENOUGH NEVER IS The Drive

for Improvement Visionary companies are never satisfied:

- Continuous improvement - Raising the bar -

Self-imposed standards - Relentless progress This creates:

- Competitive advantage - Innovation - Excellence -

Long-term success The Mechanisms 1.

Self-Improvement: - Compare to own standards - Not just to competition - Always raising bar - Never satisfied 2.

Discomfort: - Create productive discomfort - Don't get complacent - Challenge status quo - Push for better 3.

Mechanisms: - Systems that drive improvement -

Processes that ensure progress - Metrics that track

advancement - Incentives that reward growth Examples:

Motorola: - Six Sigma quality program - Continuous improvement culture

- Never satisfied with current performance - Always pushing for better Wal-Mart: - Relentless cost reduction - Continuous operational improvement - Never satisfied with efficiency - Always finding ways to improve Boeing: - Continuous technological advancement - Always pushing boundaries - Never satisfied with current capabilities - Constant innovation The Investment Visionary companies invest in: - Research and development - Training and development - New technologies - Process improvement - Innovation They invest for long-term, not just short-term returns.

The Implications For Strategy: - Set high standards - Continuously raise them - Invest in improvement - Never be satisfied For Leadership: - Model continuous improvement - Challenge status quo - Push for excellence - Celebrate progress while demanding more For

Organizations: - Build improvement systems - Create discomfort with status quo - Reward innovation

- Invest in advancement HOW TO APPLY THIS BOOK

IN YOUR LIFE For Entrepreneurs Starting a Company:

Focus on Clock Building: - Don't just pursue a great idea

- Build a great organization - Create systems and

processes - Think long-term Define Core Ideology: -

Clarify your core values - Articulate your purpose - Make

them authentic - Use them to guide decisions Set a

BHAG: - Define bold, long-term goal - Make it clear and

compelling - Align with core ideology - Use to focus

organization Build Culture: - Define desired culture -

Hire for fit - Indoctrinate new members - Reinforce

constantly For Leaders Leading an Organization:

Preserve Core, Stimulate Progress: - Clarify what's core -

Preserve it fiercely - Change everything else - Balance stability and change Embrace the AND: - Refuse false choices

- Pursue both extremes - Use tension creatively -

Transcend either/or thinking Develop Leaders: - Invest in development - Create opportunities - Mentor next

generation - Build internal pipeline Drive Improvement:

- Set high standards - Never be satisfied - Invest in

advancement - Celebrate progress For Organizations

Building to Last: Clarify Core Ideology: - Identify true

core values - Articulate authentic purpose - Distinguish

core from practices - Use to guide all decisions Create

Strong Culture: - Define culture clearly - Hire for fit -

Indoctrinate thoroughly - Reinforce constantly

Experiment Systematically: - Try many things - Keep

what works - Discard what doesn't - Learn continuously

Invest Long-Term: - Think decades, not quarters - Invest in capabilities - Develop people - Build for endurance

Personal Application For Your Life: Define Your Core: -

What are your core values?

- What's your purpose?
- What's truly non-negotiable?
- What guides your decisions?

Set Your BHAG: - What's your bold, long-term goal?

- What would inspire you for decades?
- What's clear and compelling?
- What aligns with your core?

Build Your Culture: - What environment do you want?

- What standards do you set?
- What behaviors do you reinforce?
- What do you not tolerate?

Continuous Improvement: - How are you improving?

- What standards are you raising?
- What are you learning?
- How are you growing?

The Implementation Process Year One: Foundation

Quarter 1: Core Ideology - Clarify core values -

Articulate purpose - Distinguish core from practices -

Communicate widely Quarter 2: BHAG - Set bold,

long-term goal - Make it clear and compelling - Align
with core ideology - Communicate and rally

Quarter 3: Culture - Define desired culture - Assess
current culture - Identify gaps - Begin transformation

Quarter 4: Systems - Build improvement systems - Create
experimentation processes - Develop leadership pipeline -

Establish metrics Year Two: Building - Reinforce core
ideology - Track progress on BHAG - Strengthen culture
- Expand systems - Develop leaders - Drive improvement

Year Three and Beyond: Sustaining - Preserve core -
Stimulate progress - Maintain culture - Continuous
improvement - Leadership development - Long-term
focus CONCLUSION "Built to Last" reveals that truly
great companies are built, not born.

They don't rely on great ideas, charismatic leaders, or

perfect strategies.

They build organizational capabilities that transcend any individual or product.

Key Takeaways Clock Building, Not Time Telling: -

Focus on building the organization - Not just having great ideas - Create systems and capabilities - Think beyond any individual

The Genius of the AND: - Refuse false choices - Pursue both extremes - Balance opposites - Transcend either/or

thinking Preserve Core, Stimulate Progress: - Clarify core ideology - Preserve it fiercely - Change everything else -

Balance stability and change Big Hairy Audacious Goals:

- Set bold, long-term goals - Make them clear and

compelling - Align with core ideology - Use to focus

organization Cult-Like Cultures: - Build strong cultures -
Hire for fit - Indoctrinate thoroughly - Maintain high
standards Try a Lot, Keep What Works: - Experiment
systematically - Learn from results - Adapt continuously
- Evolve like species Home-Grown Management: -
Develop leaders internally - Promote from within -
Preserve culture - Build deep bench Good Enough Never
Is: - Continuous improvement - Never satisfied - High
standards - Relentless progress The Transformative
Power

These principles transform organizations: - From good to
great - From temporary to enduring - From dependent to
independent - From ordinary to visionary The Journey
Ahead Building to last is a journey: - Start with core
ideology - Set bold goals - Build strong culture -

Develop capabilities - Improve continuously - Think long-term The Ripple Effect Visionary companies impact: - Employees and their families - Customers and communities - Industries and economies - Society and world Building to last matters beyond profits.

Final Thoughts The question isn't whether you can build something that lasts.

You can.

The question is: will you commit to it?

Will you: - Clarify your core ideology?

- Set bold, long-term goals?

- Build strong culture?

- Develop capabilities?

- Improve continuously?
- Think beyond yourself?

Your answers determine whether you build something temporary or something that lasts.

The principles work.

The evidence is clear.

The choice is yours.

Build to last.

Welcome to enduring greatness.