

Built to Last: Successful Habits of Visionary Companies

by James Collins and Jerry Porras

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What can museums and other nonprofit organizations learn from businesses that have thrived over decades, through multiple generations of leadership, products and markets? What are the characteristics of such businesses? What separates them from their rivals, and enables them to go on generating products and services that are valued by the public, decade after decade?

James Collins and Jerry Porras in their study *Built to Last: Successful Habits of Visionary Companies* raise fundamental questions and yield important lessons for nonprofits. When businesses fail, they usually cease to exist. Nonprofits, on the other hand, can become institutions, living for decades on endowment proceeds or government support, while producing little of real value. The lessons here are not about sustainability or survival. Rather, they draw attention to what it takes to succeed again and again, over an extended period of time.

The authors studied eighteen "visionary" companies, those that have been the best in their industries for decades. They compare them to eighteen comparable companies, which also have been successful, but not to the same degree. From 1926 through 1990 the comparison companies outperformed the general stock market by two times. The visionary companies outperformed the market by fifteen times. Why do such companies remain so vital when others falter? Collins and Porras have identified several key traits or habits which distinguish the visionary companies from their rivals.

Clock Building

Having a great idea or being a charismatic leader is "time telling"; building a company that can prosper far beyond the presence of any single leader is "clock building." The leaders of visionary companies concentrate on building an organization rather than on hitting the market just right with a great product. Such leaders focus on what we at Qm² call the Second Agenda. The First Agenda addresses what products and services an organization provides, the Second Agenda addresses how the organization functions. To build an organization that will thrive over the long haul, leaders have to spend their time clock building, that is, working on the Second Agenda.

Question for directors: How much time do you spend on the design of your organization, as opposed to the creation of specific products and services for your constituents?

Core Ideology

Visionary companies display both high ideals and pragmatic self-interest. While they do make a profit, that is not their only purpose. George Merck II, Merck Pharmaceuticals, explained it this way: "We try never to forget that medicine is for the people. It is not for the profits. The profits follow..."

Each visionary company has a distinctive core ideology, combining its core purpose and core values, used as a guide nearly from inception. For Marriott, the core ideology includes "friendly

service," "continual self-improvement," and "overcoming adversity to build character." At 3M its "innovation," "absolute integrity," and "tolerance for honest mistakes."

The core ideology is not something that is created, like one would a marketing slogan. Rather, it has to be discovered. What are the deeply held values of the organization and its people? Why do they invest themselves in the organization's work? What inspires and guides them? Properly conceived, a core ideology can guide an organization for decades. The world changes, creating demands and opportunities for new products and services. Visionary organizations respond to these changes, but always maintain the core. An explicit core ideology shows the organization's leaders what not to change.

Questions for directors: Does your organization have a core ideology? Have you identified its core purpose? Does your museum have a clear statement of core values (no more than 3-5, otherwise they probably are not core)? Are the values those of the current director or of the organization? Is the core ideology used in day to day decision making?

Preserve the Core and Stimulate Progress

Visionary companies have a deep, compulsive drive for progress. This propelled Motorola from car radios to televisions, microprocessors, cellular communications and satellites circling the earth, while rival Zenith stalled out with televisions. Such companies display a powerful mix of self-confidence and self-criticism: the confidence to make bold moves combined with an inner drive to change before the outside world demands it.

Visionary companies are hard on themselves, always seeking a way to surpass their own performance. They create discomfort to avoid complacency. Boeing assigns managers the task of developing strategies to exploit Boeing's weaknesses, as if they worked for a competing company. These companies invest heavily in professional development, new technologies, and new management methods, always seeking to improve.

The Genius of AND

At the same time they remain true to their core ideologies. They do not seek a mere balance between the core and progress. Rather, they seek to be both highly ideological and highly progressive. They avoid what Collins and Porras call the "Tyranny of the OR" which leads people to see their choices as either A or B: long term or short term goals; seizing new opportunities or remaining true to mission; having creative autonomy or consistency and control in the work place.

By embracing the "Genius of the AND" visionary companies find ways to have both A and B. Like yin and yang, preservation of the core and the drive for progress enable, complement and reinforce each other.

Questions for directors: Does your organization have an inner drive for progress? What mechanisms do you use to avoid complacency? Does concern about preserving the core inhibit your ability to change?

BHAGS: Big Hairy Audacious Goals

All companies have goals. Many visionary companies (though not all) use extraordinarily daunting goals to stimulate progress. Called BHAGs by the authors (pronounced bee-hags) these challenges create a unifying focus for the entire organization. The most effective ones are big, but simple and understandable. At GE it is: "To become #1 or #2 in every market we serve and to revolutionize this company to have the speed and agility of a small enterprise." For Sony in the 1950's it was: "To change the image [around the world] of Japanese products as poor in quality."

A BHAG should fall well beyond the comfort zone. People in the organization believe they can pull it off, but it will require heroic efforts. It should be bold and exciting in its own right, so that it continues to stimulate progress even if the organization's leaders disappear. And it should be consistent with the organization's core ideology. BHAGs for many museums exist entirely in the facilities domain. Without a strong core ideology, the easiest BHAG to envision is a new or expanded facility. The organization should be well grounded in its core before it takes on a BHAG.

Questions for directors: Does your organization just have mere goals, or does it have a BHAG? Does the goal energize and focus people? Do they get it right away, or does it require explanation? Does it create momentum and stimulate progress, while still preserving the core?

Cult-Like Cultures

Sam Walton, speaking to over 100,000 Wal-Mart associates via satellite in the mid-1980s, called on them to make the following pledge:

"From this day forward, I solemnly promise and declare that every time a customer comes within ten feet of me, I will smile, look him in the eye, and greet him. So help me Sam."

Visionary companies are not cults, but they do have cult-like characteristics. They hold their ideologies fervently. They indoctrinate their employees to a greater degree than the comparison companies. New people tend to fit well with the company and its ideology, or tend not to fit at all. Employees have a sense of belong to something special and superior, and may come off as sounding elitist.

The idea of ideological indoctrination makes many people uneasy. Isn't there a danger imposing group-think and stifling individual creativity? Visionary companies avoid this pitfall through the "Genius of the AND": they impose tight ideological control and simultaneously provide operating autonomy that encourages individual initiative.

Questions for directors: Are you confident that your employees embrace your organization's core ideology to the degree that they will make good decisions without having to check always with management? If there is not strong adherence to a core purpose and core values, can you give them autonomy in making decisions? Can you trust them?

Try a Lot of Stuff and Keep What Works

Some of the best moves that have been made by visionary companies came not from detailed strategic planning, but rather by experimentation, opportunism, and accident. For example, in 1890 Johnson & Johnson, a supplier of medical plasters to physicians and hospitals, responded to a complaint about patient skin irritation by including a small can of talc as part of its standard package. To the company's surprise, customers soon began asking to buy the talc directly. Hence, the birth of a new product: Johnson's Baby Powder.

This is an example of what Collins and Porras call "evolutionary progress," because it closely resembles how natural species evolve and adapt to their environments. Through a process of variation (try a lot of stuff) and selection (keep what works) organizations, like species, can be well positioned to prosper in ever-changing environments. 3M is perhaps the best example. Failing early as a mining venture, the tiny company focused on solving technological problems, following dictums like "Listen to anyone with an original idea, no matter how absurd it might sound at first," and "Give it a try and quick." Through variation and selection 3M has produced hundreds of products, from roofing granules to warehouse conveyor systems to computer storage diskettes.

In contrast to BHAGs, which entail bold leaps, evolutionary progress builds on small, incremental steps. BHAGs must be clear and unambiguous, whereas evolutionary progress involves uncertainty. Each is a valid approach to stimulate progress in an organization.

Questions for directors: Have you created an environment in your organization that gives people the room they need to try new ideas quickly? Can they take small steps, where failure is an opportunity to learn, and not a cause for reprimand? Most directors think they nurture innovation, and almost all staff say innovation is not nurtured. What does your staff say?

Home-Grown Management

As a key step in preserving their core, visionary companies develop, promote, and carefully select managerial talent from inside the company. They prepare well in advance for CEO succession, in order to ensure continuity. Visionary companies were six times more likely to promote insiders to chief executive than the comparison companies.

Questions for directors: What can you and your board do now to plan for leadership succession? Does the organization know its own ideology well enough to gauge whether an outsider is likely to fit? Do you consciously groom employees as future directors, either in your own organization or elsewhere?

Alignment

The essence of a visionary company comes in the translation of its core ideology into everything that the company does. All of the elements of the company work in concert, creating an environment that manifests and reinforces the company's ideology and ambitions. From the CEO to front line employees, they speak the same language.

This is the final lesson of Built to Last: to create a visionary organization you have to bring all of the pieces together. You need to sweat the small stuff, and obliterate anything that does not align

with the core ideology and the methods used to stimulate progress. People notice little things. You need to be aware of the cues—visual, verbal, behavioral—that either reinforce or undermine the organization.

Processes for communication, problem solving, recruitment and training, recognition and reward, and so forth must be internally consistent and mutually reinforcing.

Questions for directors: Does your organization have practices that are inconsistent with your core ideology? How do you identify and correct such misalignments?

Building the Vision

The authors call these companies "visionary," but what exactly is "vision." The concept of vision for an organization is often a fuzzy one: the vision is not the mission, though obviously it's related; it's not just a goal, but something a bit loftier. Built to Last presents a conceptual framework to add clarity and rigor to the concept. A coherent vision should include a clear articulation of the organization's core ideology (core purpose and core values). It should include a "vision-level" BHAG, that is one that applies to the whole organization, requires ten to thirty years of effort to complete, and has only a fifty to seventy percent probability of success. Finally, the vision requires a vivid description of what it will be like to achieve the BHAG. The description needs to be vibrant, engaging, and specific, a "picture painted with words."

Question for directors: Does your organization have a vision of its future? Does it include the components mentioned above? Does this definition of the concept of vision seem correct and useful for museums?

The lessons of these visionary companies can help nonprofit leaders create organizations that thrive for decades. Qm² has developed tools and techniques to help you build a vigorous vision and initiate other changes. By attending to the Second Agenda (a.k.a. clock building), you can build an organization that will bring value to its constituents long after the present generation of leadership is gone.