

# Built to Last

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*By Jim Collins and Jerry Porras*

Jerry Porras' and Jim Collins' *Built to Last* is a philosophical blueprint based on research into the development of some of the United States' most successful corporations. Recognizing struggling competitors whose businesses disappear after a period of time, Collins and Porras focus their research towards 18 bona fide, "visionary" companies and analyze them in accordance with guidelines they've set on what makes a good company. Selection criteria and research between the two authors was extensive, with attention paid towards companies with average founding dates of 1897 and prior along with a surefire system evaluating companies as start-ups, midsize companies, and large companies. In the face of sociological events, Porras and Collins wanted to answer the question "what makes the truly exceptional companies different from the other companies?" with an emphasis on timeless management principles instead of trends and innovations like employee empowerment and shared values.

Porras and Collins learned that their prior beliefs were misfires. During a six year research process, they "unlearned" much of what they learned with large corporations' successes. In place of former beliefs lays a new groundwork for what exemplifies visionary companies. Here are some of the former myths removed with their research:

1. A great idea is needed to start companies
2. Visionary organizations need charismatic leaders
3. Maximizing profits is the dominate goal with visionary companies
4. Visionary companies focus on beating competitors
5. Hiring outsiders as CEO's is the best way to spark an organization

Some of the core beliefs Porras and Collins discuss in *Built to Last* include preserving a core ideology, the BHAG (Big Hairy Audacious Goals) concept, owning a cult-like culture, trying new things, refusing the idea of a "great idea" to start a company, and consistent innovation. Preserving a core ideology allows companies stay in tune with competition through the constant evolution of products. The BHAG (Big Hairy Audacious Goals) philosophy encourages organization leaders to conduct paradigm shifts with their products by constantly launching missions, like new products and the building of "firsts." Both authors also dive into the "cult-like culture" mantra, where every single employee in the company must adapt to a leader's vision and become cohesive and non-fragmented to survive. Porras and Collins provide the examples of fantastic department store sales people and companies' devotion to technological products as milestones.

Other philosophies described in *Built to Last* include constant innovation, "refusing the idea of a great idea", and embracing evolution. According to the authors, innovating allows companies to keep products and services updated to beat the competition. They use Boeing Engineering as an example of an innovative leader and rival McDonnell Douglas as a company struggling to meet industry standards. Porras and Collins denounce the "great idea" based on research that found many past founders did not start companies with established ideas (i.e. Hewlett Packard's involvement with failed products prior to discovering electronics as a niche.)

In essence, *Built to Last* is an analysis of how visionary companies should operate. It revolves around value arrangement and does not specifically ask companies to fire employees, remove resources, etc. It asks for companies to assume a workmanlike culture and keep an eye out for tomorrow and the long term.

## Contents

- 1 Main Character List
- 2 Chapter Summaries
  - 2.1 Chapter 1 – Best of the Best
  - 2.2 Chapter 2 – Clock Building, Not Time Telling
  - 2.3 Chapter 3- More than Profits
  - 2.4 Chapter 4 – Preserve the Core/Stimulate Progress
  - 2.5 Chapter 5- Big Hairy Audacious Goals
  - 2.6 Chapter 6 – Cult-like Cultures
  - 2.7 Chapter 7 – Try a Lot of Stuff and Keep What Works
  - 2.8 Chapter 8 – Home Grown Management
  - 2.9 Chapter 9 – Good Enough Never Is
  - 2.10 Chapter 10 – The End of the Beginning
  - 2.11 Chapter 11 – Building the Vision

## Main Character List

Jerry Porras is the co-author along with Jim Collins. He is currently a Professor of Organizational Behavior and Change at the prestigious Stanford Graduate School of Business and was former director of the School's Executive Program on Leading and Managing Change for 16 years. His academic work includes courses in leadership, organizational development, and interpersonal dynamics. With his expertise, he has served as a management consultant to numerous companies, including Start Farm Auto Insurance and Quaker Fabric. He is a regularly featured writer for many publications and has also written another book on organizational success titled *Stream Analysis: A Powerful New Way to Diagnose and Manage Organizational Change*.

Jim Collins is the co-author of *Built to Last: Successful Habits of Visionary Companies* and has authored three other books along with a slew of articles featured in *Fortune Magazine*, *Business Week*, and the *Wall Street Journal*. He is a professor at the Stanford Graduate School of Business and the founder of a management laboratory in Colorado where he researches and teaches executives on the aspects of corporate leadership. Some of his clients include the Johns Hopkins Medical School, the Marines, and the Girl Scouts of America. In his free time, he loves to rock climb and has made it a point to conquer Yosemite Valley.

## Chapter Summaries

## **Chapter 1 – Best of the Best**

This chapter reiterates the author's intentions of describing visionary companies, not visionary product concepts, market insights, or visions. Porras and Collins define a visionary company as a "premier institution in their industries, widely admired by their peers and having a long track record of making a significant impact on the world around them." They define a visionary company as an organization and describe powerful individual leaders and ideas as inevitably short-lived. Both authors ask readers to compile a list of visionary companies according to reputation, contribution to society, life before 1950, and more. Porras and Collins outline their goals of selecting visionary companies and "comparison companies" that don't quite match visionary status.

## **Chapter 2 – Clock Building, Not Time Telling**

In this chapter, Porras and Collins liken the longevity of a company to time telling and clock building. According to the authors, time telling is "having a great idea or being a charismatic visionary leader" and clock building is "building a company that can prosper far beyond the presence of any singer leader and through multiple product life cycles." Porras and Collins explain the importance of building an organization's "core value system" instead of relying on great product ideas, charismatic leaders, and paying too much attention to profit. They denounce the idea of charismatic leaders and explain the "great idea" myth by pointing out Bill Hewlett and Dave Packard's ventures into non-electronic products and Masaru Ibuka's Sony Corporations brainstorming sessions on which products to make after starting the company.

## **Chapter 3- More than Profits**

In this chapter, Porras and Collins talk about how important it is to recognize that core ideology alone does not make a visionary company, since everything around you is always changing. In order to meet the demands of a changing world, companies "must be prepared to change everything about itself except its basic beliefs as it moves through corporate life." According to the authors, companies must preserve its core ideology while allowing room for the manifestations of the core ideologies to change. This means product lines, profit strategies, cultural tactics, and organization structure can change – but a core ideology should not. "Preserving the core and stimulating progress" tactics are discussed.

Interlude – No "Tyranny of the Or" (Embrace the "Genius of the And")

In this chapter, Porras and Collins make reference to their use of the yin/yang symbol from Chinese philosophy in order to explain the visionary mentality of not "oppressing themselves to the tyranny of the OR" – which means hell for those that cannot live with two contradictory ideas at the same time. According to the authors, inferior companies hold proclamations such as – "you can invest for the future or do well in the short-term" and "you can have low cost or high quality." This limits companies to a short-minded frame of reference where there is only one choice, but not both. The authors ask readers to embrace both extremes

and to figure out a way to have both choices. Visionary companies find ways to do well in the short-term and long-term, rather than sacrifice one for the other. They don't look for a balance – rather, acquiring both to the max. The purpose of the yin/yang symbol is to illustrate this concept.

## **Chapter 4 – Preserve the Core/Stimulate Progress**

This chapter describes the ways companies should do business by being able to adapt and change over time in response to market conditions. Over time, competencies, strategies, and goals change but the core ideology must remain intact. One visionary company Porras and Collins use as an example of one preserving its core is Boeing and its fleet of 747 jumbo aircrafts. In the 1950s, Boeing ventured into new territory and took a gamble on building commercial airliners instead of sticking to military aircraft, which earned most of its profit. As a result, its rival Douglas Aircrafts was left in the dust.

Both authors sat that the drive for change in a visionary company is internal, where philosophy takes precedent over external forces like market conditions and profit motives to make them change. Visionary companies must have the confidence to set the “big hairy audacious goals” discussed in the next chapter. They also instill mechanisms in place to preserve the core and stimulate progress.

## **Chapter 5- Big Hairy Audacious Goals**

Chapter 5 discusses a visionary company characteristic of taking risk and “setting super goals” as a hallmark for success. It starts off with Boeing's pursuit of the commercial airline market in the 1950's, which was underdeveloped and needing a major player for jet aircrafts. Unlike its rival Douglas Aircraft, who avoided entering the commercial market, Boeing took a gamble and developed a prototype for the commercial airliners used today.

This chapter introduces the “BHAG” concept as a way for companies to enhance team spirit and shooting for goals to become visionary. Porras and Collins describe BHAGs as nearly impossible, but possible with confidence and a bit of arrogance on behalf of the company. It stresses high commitment and working outside of a comfort zone. The Kennedy moon mission is also an example of a BHAG.

## **Chapter 6 – Cult-like Cultures**

Porras and Collins discuss visionary companies as not a great place to work for everyone. All employees within a visionary company must adapt and embrace the core values assigned to them in order for the organization to make strides. According to the authors, visionary companies are demanding of its employees to seek accomplishment and to follow the core ideology. The authors outline four common characteristics of cults that apply to the visionary organizational philosophy – fervently held ideology, indoctrination, tightness of fit, and elitism.

Fervently held ideology – All employees believe strongly in the company ideology.

Indoctrination – Management is responsible for introducing and encouraging the proper work culture to employees.

Tightness of fit – Employees who do not believe in the same ideology should switch positions or be fired altogether.

Elitism – Recognizing the sense of responsibility that comes from being a member of a visionary company.

The beginning of Chapter 6 uses Nordstrom as an example of a visionary company where an interviewer tells an interviewee what is expected of him, in accordance with the company philosophy of excellent customer service and starting from the bottom to work your way to the top.

## **Chapter 7 – Try a Lot of Stuff and Keep What Works**

This chapter discusses Porras' and Collins' visionary company research and how they've come to the realization experimentation, trial & error, accidents, and opportunism were ahead of detailed strategic planning. An example of Johnson & Johnson's accidental discovery of using talc as a skin soother after customers complained of skin irritation from medicated plastics they were producing. They sold packaged "baby powder" soon after. Other example companies include 3M getting into the masking tape business and Walmart introducing people greeters.

Both authors describe opportunistic experimentation through trial and error as a way to make evolutionary progress. According to Porras and Collins, five ways to make evolutionary progress includes:

1. Giving ideas a quick try
2. Accept mistakes and letting the weakest die
3. Taking small steps to achieve small failures in order to get ahead
4. Persistence
5. Building a "ticking clock" as described in Chapter 1 to turn the aforementioned points into a process.

## **Chapter 8 – Home Grown Management**

Porras and Collins describe a characteristic of visionary companies as likely to hire inside employees to high positions as opposed to other organizations that "hire from the outside." This allowed for consistent excellence in leadership from within the ranks, from employees who have adhered to the company's core ideology. In the overall picture, this is a way for companies to preserve the core while stimulating progress – a mantra discussed in Chapter 4.

To support their claims, both authors cite comparison companies are six times more likely than visionary companies to hire their CEO from a pool of outside applications. At visionary companies, only 4% of CEOs came from the outside.

## **Chapter 9 – Good Enough Never Is**

In this chapter, Porras and Collins ask wannabe visionary companies to ask the following question: "how can we do better tomorrow than we did today?" instead of lesser questions posed by lesser companies like "how well are we going" and "how well do we have to perform in order to meet the competition." They reject the idea of a "finish line" and define a visionary company as one who is never satisfied with its results. All visionary companies hold high standards and reject the practices of comparison companies that

make money off successful products. Porras and Collins stress investing for the future and adapt to newer ideas and technology earlier than others. Out of 18 companies researched, 16 were found to drive themselves harder for improvement.

## **Chapter 10 – The End of the Beginning**

In this chapter, Porras and Collins use the “end of the beginning” concept to explain how visionary companies translate their core ideologies into the every day workings of the organization. Core ideology is translated into the strategies, behaviors, business practices, and goals of the organization. Porras and Collins used Hewlett-Packard as an example of a “core ideology into practice” organization with their management methods of providing well defined objectives to employees and allowing them as much freedom as they wanted to work towards that goal with the intention of recognizing the individual’s efforts throughout the organization.

Some business practices Porras and Collins explain are paying attention to details, combining pieces to perform tasks (i.e. employee talents), asking if a practice is appropriate to a company’s ideology and goals instead of “is this practice good?” and taking care of misalignments within the organization.

## **Chapter 11 – Building the Vision**

“Building the vision” is a rearrangement of values intended to stimulate progress. It asks potential visionary organizations to strive for self-improvement day in and day out and to invest in new technologies and new management methods to take risks instead of lying back and remaining conservative. An eye should always be kept for the long term instead of the short term, even when it is hard to do so.

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