

Built to last
Successful habits of visionary companies
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A lot of people have great ideas or are charismatic and visionary leaders but how many are really building a healthy company that have an impact over a long period of time?

Authors Collins and Porras studied during 6 years exceptional companies. All these companies exist in average 100 years, are doing very well, could bounce back from adversity and stay at the top year after year.

☞ They found that visionary company founders take an architectural approach to building their companies, concentrating first on the systems and values, then on the products.

Examples: William Hewlett and David Packard (HP) and Masaru Ibuka (Sony)

Charismatic leadership is not necessary for success. The best leaders focus on developing managers and processes and consider products as a vehicle for the company and not the way around. Walt Disney's greatest creation was the Disney Company and its ability to make people happy, not Disneyland.

☞ Visionary companies have core ideologies; these are basic precepts that say 'Who we are. What we stand for. That's what we are all about'.

A core ideology is not just about words, it is about strong, shaping forces.

Visionary companies are more ideology driven than profit-driven and this attitude,

paradoxically, can lead to greater profitability.

Some examples :

Procter & Gamble: product excellence, continuous self-improvement, honesty and respect and concern for the individual.
Wal-Mart: provide values to customer, to buck conventional wisdom, to work with passion and commitment, to run lean and to pursue ever-higher goals.

An ideology consists of two ingredients: core values and purpose.

Core values are the guiding principles. The company never compromises on these values.

Purposes are the reasons for existing (of course beyond making money). They are not specific about products or services but broad and enduring.

☞ Having a core ideology however is not enough. You need a permanent drive for progress. This drive will change your business, strategy, operations and products over time but your core ideology doesn't change. This drive should be internal. Visionary companies do not wait for the external world to tell or force them to change.

Progress is stimulated by setting BHAGs (= big, hairy and audacious goals).

BHAGs' characteristics :

- clear, bold,
- fall outside the comfort zone,

- ❑ compelling,
- ❑ serve as a unifying focal point ,
- ❑ engage people
- ❑ and be consistent with the core ideology..

Good BHAGs can transcend the leader and take on a life of its own.

But a goal alone is not enough. You need to show a high level of commitment to reaching it. That involves very often great risk.

☞ Visionary companies are not necessarily great place to work. If the employee fits with the core ideology and the demanding standards, he will do fine. Companies reinforce the ideology by permanently sending signals and creating a sense of belonging through :

- ❑ training programs
- ❑ on-the-job socializing
- ❑ promoting from within
- ❑ penalties for breaching ideology
- ❑ constant emphases on values and heritage

Surprisingly the research by the authors showed that in only 4 cases a company out of the 18 visionary companies went outside to hire a new CEO.

A perfect example is GE: developing, promote and select talent from inside the company.

Succession planning is a key to long-term high performance.

☞ Pouncing on opportunities is another characteristic of visionary companies. They make their best moves by experimentation, trial and error, opportunism and sometimes by accident. To stimulate evolutionary progress following 5 lessons are to be remembered :

- ❑ Give it a try and quick.
- ❑ Accept that mistakes will be made

- ❑ Take small steps
- ❑ Give people the room they need
- ❑ Put mechanisms in place

☞ Visionary companies focus on 'doing better tomorrow than today'. This requires a constant self-criticism and being demanding for itself. They are creating discontent to combat complacency and to stay vibrant.

☞ Visionary companies invest heavily in the future. They spend more money than other companies on new property, plant, equipment and pay less dividend because they opt to reinvest the money. They also spend more money on human capital creating 'universities' and education centers. They are bringing in new technologies, management tools and industry innovations.

The last few years we see companies spending time and money on creating vision and mission statements, values ...

This is useful but not the essence. The essence is living by a core ideology and driving for progress.

Visionary alignment can be created following 6 steps :

1. Paint the whole picture.
2. Sweat the small stuff.
3. Cluster, don't shotgun. Processes should reinforce each other.
4. Swim in your own current. Ask 'Is this practice appropriate for us?'
5. Obliterate misalignments.
6. Abide by the universal requirements.

In each chapter and for each characteristic of visionary companies the authors give concrete examples from practices, methods and compare visionary companies with other non-visionary companies.