

Built to Last

From *Built to Last: Successful Habits of Visionary Companies* by Jim Collins (1994)

12 Myths About Visionary Companies

1. It takes a great idea to start a company.
 2. Visionary companies require great and charismatic visionary leaders.
 3. The most successful companies exist first and foremost to maximize profits.
 4. Visionary companies share a common subset of “correct” core 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 through brilliant and complex strategic planning.
 9. Companies should hire outside CEOs to stimulate fundamental change.
 10. The most successful companies focus primarily on beating the competition.
 11. You can’t have your cake and eat it too.
 12. Companies become visionary primarily through “vision statements.”
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Clock Building, Not Time Telling

The goal is not simply to have a great idea or make a great decision. The goal is to **build an organization that can continue to succeed and evolve over time.**

The Tyranny Of The “Or”

Conventional thinking often presents choices as mutually exclusive:

- You can have **change** OR **stability**.
 - You can be **conservative** OR **bold**.
 - You can have **low cost** OR **high quality**.
 - You can have **creative autonomy** OR **consistency and control**.
 - You can **invest for the future** OR **do well in the short term**.
 - You can make progress through **methodical planning** OR **opportunistic groping**.
 - You can **create wealth for your shareholders** OR **do good for the world**.
 - You can be **idealistic** (values-driven) OR **pragmatic** (profit-driven).
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The Genius Of The “And”

Visionary companies reject these either/or choices and pursue both sides simultaneously:

- Purpose beyond profit AND pragmatic pursuit of profit.
 - A relatively fixed core ideology AND vigorous change and movement.
 - Conservatism around the core AND bold, committed, risky moves.
 - Clear vision and sense of direction AND opportunistic groping and experimentation.
 - Big Hairy Audacious Goals AND incremental evolutionary progress.
 - Selection of managers steeped in the core AND selection of managers who induce change.
 - Ideological control AND operational autonomy.
 - An extremely tight culture (almost cult-like) AND the ability to change, move, and adapt.
 - Investment for the long term AND demands for short-term performance.
 - Philosophical, visionary, futuristic thinking AND superb daily execution—the “nuts and bolts.”
 - An organization aligned with a core ideology AND an organization adapted to its environment.
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Profit Is A Means, Not The End

Profitability is a necessary condition for existence and a means to more important ends, but it is not the end in itself for many 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.

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.
- Broad, fundamental, and enduring.
- Need not be wholly unique.
- Should guide and inspire the organization for years and years.
- Continually pursued but never fully achieved or completed.

Characteristics of Core Ideology

In a visionary company, core values:

- Need no rational or external justification.
 - Do not sway with the trends and fads of the day.
 - Do not shift in response to changing market conditions.
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Preserve The Core + Stimulate Progress

Core Ideology versus Progress, Change, and Innovation

The two are not opposites. Visionary companies preserve what should remain constant while continually stimulating change and progress.

Methods To Stimulate Progress At 3M

1. “15 Percent Rule”

A long-standing tradition that encourages technical people to spend up to 15 percent of their time on projects of their own choosing and initiative.

Purpose: To stimulate unplanned experimentation and variation that might turn into successful, albeit unexpected, innovations.

2. “25 Percent Rule”

Each division is expected to generate 25 percent of annual sales from new products and services introduced in the previous five years.

Purpose: To stimulate continuous new product development.

3. “Golden Step” Award

Granted to those responsible for successful new business ventures that originated within 3M.

Purpose: To stimulate internal entrepreneurship and risk-taking.

4. “Genesis Grants”

An internal venture capital fund distributing grants of up to \$50,000 for researchers to develop prototypes and market tests.

Purpose: To support internal entrepreneurship and testing of new ideas.

5. Technology Sharing Awards

Granted to those who develop a new technology and successfully share it with other divisions.

Purpose: To stimulate internal dissemination of technology and ideas.

6. “Carlton Society”

A technical honor society whose members are chosen in recognition of outstanding and original technical contributions within 3M.

Purpose: To stimulate the development of new technologies and innovation.

7. “Own Business” Opportunities

3M employees who successfully champion a new product can get the opportunity to run it as their own project, department, or division, depending on the product's sales level.

Purpose: To stimulate internal entrepreneurship.

8. “Dual Ladder” Career Track

A career track allowing technical people to move up without sacrificing their research or professional interests.

Purpose: To stimulate innovation by allowing top professionals and technical people to advance without having to switch to a managerial track.

9. New Product Forums

Forums where all divisions share their latest products.

Purpose: To stimulate new ideas across divisions.

10. Technical Forums

Forums where 3M people present technical papers and exchange new ideas and findings with each other.

Purpose: To stimulate cross-fertilization of ideas, technology, and innovation.

11. “Problem-Solving Missions”

Small, “hit-team” groups sent to customer sites in response to specific, idiosyncratic customer problems.

Purpose: To stimulate innovation through customer problems that can become seeds of new opportunities, perpetually replicating the process by which 3M stumbled onto masking tape in the 1920s.

12. “High Impact Programs”

Each division selects one to three priority products to get to market within a short, specified time frame.

Purpose: To speed product development and market introduction cycles, thereby increasing evolutionary “variation and selection” cycles.

13. Small, Autonomous Divisions and Units

Small organizational units designed to create a “small company within a big company” feel.

Purpose: To stimulate individual initiative.

14. Early Use of Profit Sharing

A system giving employees a financial stake in the company's overall success.

Purpose: To stimulate a sense of individual investment in the overall financial success of the company, thereby stimulating individual effort and initiative.