
“Built to Last”

**Successful habits of Visionary
Companies**

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Continuity and Change



Visionary and Comparison Companies

- **3M**
- **American Express**
- **Boeing**
- **Citicorp**
- **Ford**
- **General Electric**
- **Hewlett-Packard**
- **IBM**
- **Johnson & Johnson**
- **Marriott**
- **Merck**
- **Motorola**
- **Nordstrom**
- **Philip Morris**
- **Procter & Gamble**
- **Sony**
- **Wal-Mart**
- **Walt Disney**
- **Norton**
- **Wells Fargo**
- **McDonnell Douglas**
- **Chase Manhattan**
- **GM**
- **Westinghouse**
- **Texas Instruments**
- **Burroughs**
- **Bristol-Myers Squibb**
- **Howard Johnson**
- **Pfizer**
- **Zenith**
- **Melville**
- **RJR Nabisco**
- **Colgate**
- **Kenwood**
- **Ames**
- **Columbia**

Returns

- **Cumulative Stock Returns**

- **\$1 invested from January 1, 1926 to December 31, 1990**

- Visionary Companies	\$6356
- Comparison Companies	\$955
- General Market	\$415

Visionary companies performed 16 times better than the general market from 1926 to 1990

Shattered Myths

- **It takes a great idea to start a great company**
 - Few started with a great idea; the company was the creation
- **Visionary companies require great and charismatic leaders**
 - Not required and can be detrimental to the companies long term prospects
- **Most successful companies exist first and foremost to maximize profits**
 - Yes, but visionary companies are equally guided by core values and purpose
- **Visionary companies share a common subset of core values**
 - There is no “right” set of core values

Shattered Myths (continued)

- **The only constant is change**
 - Visionary companies preserve their core ideology while displaying a powerful drive for progress
- **Blue - Chip companies play it safe**
 - Visionary companies are not afraid to make “Big Hairy Audacious Goals”
- **Visionary companies are great places to work for everyone**
 - Only if you fit the ideology
- **Highly successful companies make the best moves by brilliant and complex strategic planning**
 - More likely to try a lot of stuff and keep what works

Shattered Myths (continued)

- **Companies should hire outside CEOs to stimulate fundamental change**
 - Visionary companies grow their own management teams
- **The most successful companies concentrate on beating the competition**
 - Visionary companies focus on beating themselves
- **You can't have your cake and eat it too**
 - Visionary companies subscribe to the “Genius of the AND” not the “Tyranny of the OR”
- **Companies become visionary through “vision” statements**
 - Only part of the picture

Clock Building, not time telling

- **Think in terms of being an organizational visionary and building the characteristics of a visionary company not just product and services**
- **Ask what principles should we be guided by?**
- **Everything you need to know can be learned**

No “Tyranny of the OR”

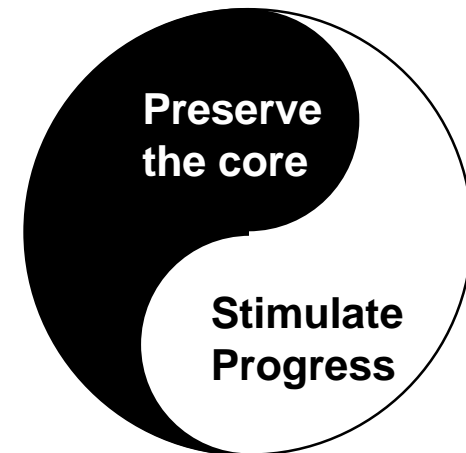
- **purpose beyond profit AND pragmatic pursuit of profit**
- **a relatively fixed core AND vigorous change and movement**
- **conservatism around the core AND bold, committing, risky moves**
- **clear vision and sense of direction AND opportunistic groping and experimentation**
- **Big Hairy Audacious Goals AND incremental evolutionary progress**
- **selection of managers steeped in core AND selection of managers that induce change**
- **ideological control AND operational autonomy**
- **extremely tight culture AND ability to change, move and adapt**
- **investment for the long term AND demands for short term performance**
- **philosophical, visionary and futuristic AND superb daily execution**
- **organization aligned with core AND adapted to its environment**

More than profits

- **There is no right ideology**
 - **Some companies make customers central to their ideology while others make employees, products, services, risk taking or innovation central**
 - **Authenticity counts more than content**
 - **Not all companies started with a well articulated ideology**
- **Motorola purpose**
 - **“The purpose of Motorola is to honorably serve the community by providing products and services of superior quality at a fair price to our customers: to do this so as to earn adequate profit which is required for the enterprise to grow, and by so doing provide the opportunity for our employees and shareholders to achieve their reasonable personal objectives.”**

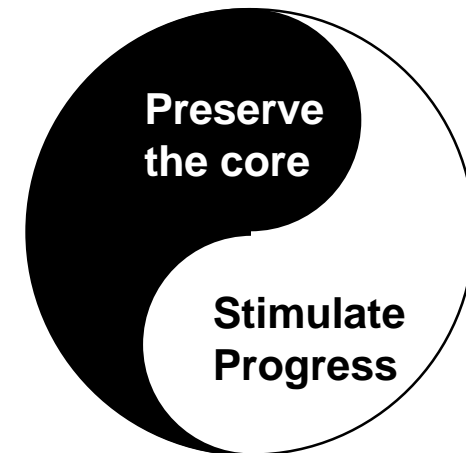
Preserve the core / stimulate progress

- **Organizations must be prepared to change everything about itself except their basic beliefs**
- **need to create tangible mechanisms aligned to *preserve the core and stimulate***
 - **Methods include:**
 - **BHAGs**
 - **Cult-like cultures**
 - **Try lots of stuff and keep what works**
 - **Home grown management**
 - **Good enough never is**



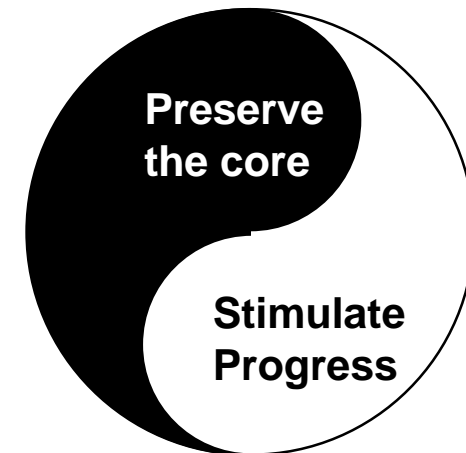
BHAG

- **engages people - reaches out and grabs them in the gut**
- **tangible, energizing, highly focused**
- **people get it right away**
 - **“Put a man on the moon by the end of the decade”**
 - **“Demonstrate SMS and GSM call delivery at the PCS show”**
- **Once achieved must be replaced with a new one**
- **Can be applied at all levels in an organization**



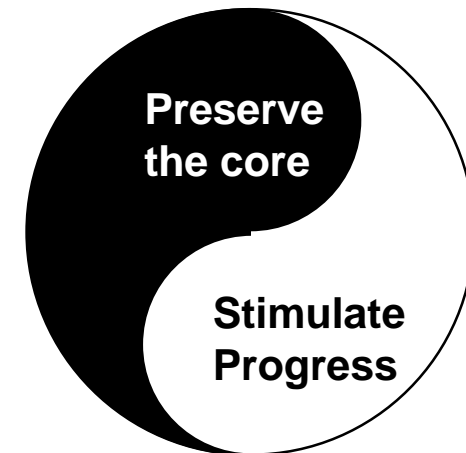
Cult-like Cultures

- **fervently held ideology**
- **strong indoctrination into ideology**
- **tightness of fit**
 - “fit in or get out”
- **elitism**
 - a sense of belonging to something special
- **should set out to create an organization that preserves its core ideology in concrete ways**



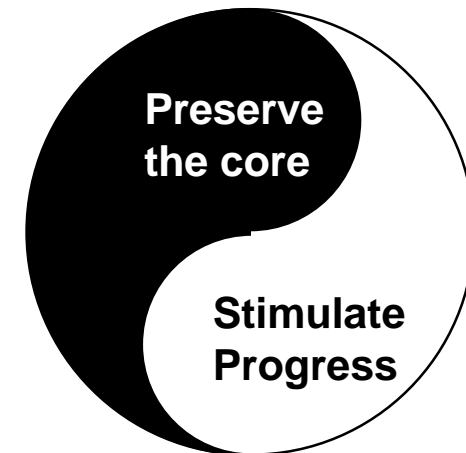
Try a lot of stuff and keep what works

- **3M a classic example**
- **Mechanisms at 3M**
 - **15% rule - spend 15% of your time on projects of your own choosing**
 - **25% rule - 25% of sales must come from new products**
 - **Technology sharing award**
 - **Golden step award**
 - **Internal venture capital**
 - **Own business opportunities**
 - **Technical and management career track**
 - **Small autonomous divisions**



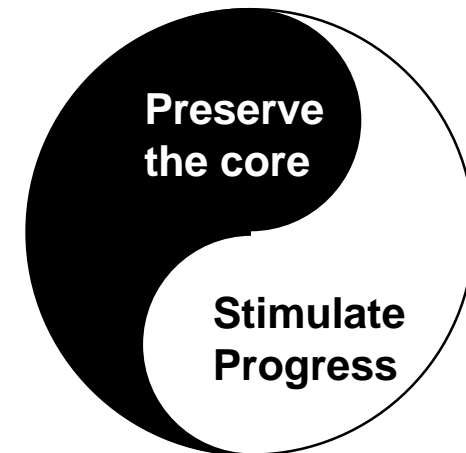
Home grown management

- **Visionary companies rarely bring in outsiders**
- **Even small companies should start thinking about succession plans**
 - **Start early**

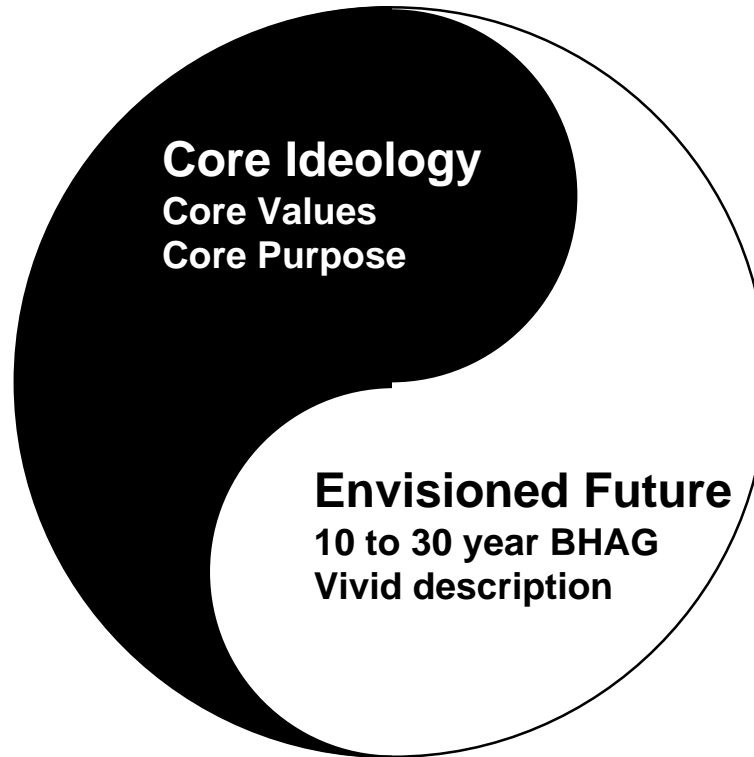


Good enough never is

- **Comfort is not the objective in visionary companies**
 - **There are powerful mechanisms to create discomfort and eliminate complacency**
 - **Stimulate change and improvement before the external world demands it**
 - **Invest in the future and do well today**



The Vision Framework



Building the Vision

- **Use “Mars Team” to define**
- **Core Values**
 - **Start with personal values you bring to your work?**
 - **Would you live by those values?**
 - **Would they still be valid in 100 years?**
- **Purpose**
 - **Captures the soul of the organization**
 - **Should last at least 100 years**
 - **Does not change but inspires change**
- **Envisioned Future**
 - **BHAG**
 - **Vivid Description**

Sony Example

Core Values

- **Elevation of the Japanese national culture and status**
- **Being a pioneer - not following others, but doing the impossible**
- **Respect and encourage individual ability and creativity**

Purpose

- **To experience the sheer joy of innovation and the application of technology for the benefit and pleasure of the general public**

Envisioned Future

- **BHAG**
 - **Become the company most known for changing the worldwide image of Japanese products as being of poor quality**
- **Vivid Description**
 - **We will create products that become pervasive around the world...We will be the first Japanese company to go into the American market and distribute directly...We will succeed with innovations like the transistor radio that American companies have failed at...Fifty years from now, our brand name will be as well known as any on Earth...and will signify innovation and quality that rivals the most innovative companies anywhere..."Made in Japan" will mean something fine, not shoddy**