

MORE THAN ONE MILLION COPIES SOLD

BUILT TO
LAST

**SUCCESSFUL HABITS OF
VISIONARY COMPANIES**

JIM COLLINS

(Bestselling author of **GOOD TO GREAT**)

JERRY I. PORRAS

BUILT TO LAST

**Successful Habits
of Visionary Companies**

**James C. Collins
Jerry I. Porras**



Collins Business Essentials

A Collins Business Book

An Imprint of HarperCollins Publishers

Dedication

To Joanne and Charlene

Contents

[Cover](#)

[Title Page](#)

[Dedication](#)

[Introduction to the Paperback Edition](#)

[Preface](#)

[Chapter 1: The Best of the Best](#)

[Chapter 2: Clock Building, Not Time Telling](#)

[Interlude: No “Tyranny of the OR”](#)

[Chapter 3: More Than Profits](#)

[Chapter 4: Preserve the Core/Stimulate Progress](#)

[Chapter 5: Big Hairy Audacious Goals](#)

[Chapter 6: Cult-Like Cultures](#)

[Chapter 7: Try a Lot of Stuff and Keep What Works](#)

[Chapter 8: Home-Grown Management](#)

[Chapter 9: Good Enough Never Is](#)

[Chapter 10: The End of the Beginning](#)

[Chapter 11: Building the Vision](#)

[Epilogue: Frequently Asked Questions](#)

[Appendix 1: Research Issues](#)

[Appendix 2: Founding Roots of Visionary Companies and
Comparison Companies](#)

[Appendix 3: Tables](#)

[Appendix 4: Chapter Notes](#)

[Index](#)

[Acknowledgments](#)

[About the Authors](#)

[Back Ad](#)

[Author's Note](#)

[More Praise for Built to Last](#)

[Credits](#)

[Copyright](#)

[About the Publisher](#)

Introduction to the Paperback Edition

On March 14, 1994, we shipped the final manuscript for *Built to Last* to our publisher. Like all authors, we had hopes and dreams for the book, but never dared allow these hopes to become predictions. We knew that for every successful book, ten or twenty equally good (or better) works languish in obscurity. Two years later, as we write this introduction to the paperback edition, we find ourselves somewhat astonished by the success of the book: more than forty printings worldwide, translation into thirteen languages, and best-seller status in North America, Japan, South America, and parts of Europe.

There are many ways to measure the success of a book, but for us the quality of our readership stands at the top of the list. Fueled initially by favorable coverage in a wide range of magazines and journals, the book quickly found an audience and ignited a word-of-mouth chain reaction among thoughtful readers. And that is a key word: readers. What is the true price of a book? Not the fifteen- to twenty-five-dollar cover price. For a busy person, the cover price pales in comparison to the hours required to read and digest a book, especially a research-based, idea-driven work like ours. Most people don't read the books they buy, or at least not all of them. We've been pleasantly surprised not only by how many people have bought the book, but by how many have actually *read* it. From CEOs and senior executives to aspiring entrepreneurs, leaders of nonprofits, investors, journalists, and managers early in their careers, busy people have invested in *Built to Last* with their most precious resource—time.

We attribute this widespread readership to four primary factors. *First, people feel inspired by the very notion of building an enduring, great company.* We've met executives from all over the world who aspire to create something bigger and more lasting than themselves—an ongoing institution rooted in a set of timeless core values, that exists for a purpose

beyond just making money, and that stands the test of time by virtue of the ability to continually renew itself from within.

We've seen this motivation not only in those who shoulder the responsibility of stewardship in large organizations, but also—and perhaps especially—in entrepreneurs and leaders of small to mid-sized companies. The examples set by people like David Packard, George Merck, Walt Disney, Masaru Ibuka, Paul Galvin, and William McKnight—the Thomas Jeffersons and James Madisons of the business world—set a high standard of values and performance that many feel compelled to try to live up to. Packard and his peers did not begin as corporate giants; they began as entrepreneurs and small business people. From there they built small, cash-strapped enterprises into some of the world's most enduring and successful corporations. One executive of a small entrepreneurial company said, "To know that they did it gave us confidence and a model to follow."

Second, thoughtful people crave time-tested fundamentals; they're tired of the "fad of the year" boom-and-bust cycle of management thinking. Yes, the world changes—and continues to change at an accelerated pace—but that does *not* mean that we should abandon the quest for fundamental concepts that stand the test of time. On the contrary, we need them more than ever! Certainly, we always need to search for new ideas and solutions—invention and discovery move humankind forward—but the biggest problems facing organizations today stem not from a dearth of new management ideas (we're inundated with them), but primarily from a lack of understanding the basic fundamentals and, most problematic, a failure to consistently apply those fundamentals. Most executives would contribute far more to their organizations by going back to basics rather than flitting off on yet another short-lived love affair with the next attractive, well-packaged management fad.

Third, executives at companies in transition find the concepts in Built to Last to be helpful in bringing about productive change without destroying the bedrock foundation of a great company (or, in some cases, building that bedrock for the first time). Contrary to popular wisdom, the proper first response to a changing world is *not* to ask, "How should we change?" but rather to ask, "What do we stand for and why do we exist?" This should never change. And *then* feel free to change everything else. Put another way, visionary companies distinguish their timeless core values and enduring purpose (which should never change) from their operating

practices and business strategies (which should be changing constantly in response to a changing world). This distinction has proven to be profoundly useful to organizations amid dramatic transformation—defense companies like Rockwell facing the end of the Cold War, utilities like the Southern Company facing accelerating deregulation, tobacco companies like UST facing an increasingly hostile world, family companies like Cargill facing the first generation of nonfamily leadership, and companies with visionary founders like Advanced Micro Devices and Microsoft facing the need to transcend dependence on the founder.

Figure I.A
Continuity and Change in Visionary Companies



Even the visionary companies studied in *Built to Last* need to continually remind themselves of the crucial distinction between core and noncore, between what should never change and what should be open for change, between what is truly sacred and what is not. Hewlett-Packard executives, for example, speak frequently about this crucial distinction, helping HP people see that “change” in operating practices, cultural norms, and business strategies does not mean losing the spirit of the HP Way. Comparing the company to a gyroscope, HP’s 1995 annual report emphasizes this key idea: “Gyroscopes have been used for almost a century to guide ships, airplanes, and satellites. A gyroscope does this by combining the stability of an inner wheel with the free movement of a pivoting frame. In an analogous way, HP’s enduring character guides the company as we both lead and adapt to the evolution of technology and markets.” Johnson &

Johnson used the concept to challenge its entire organization structure and revamp its processes while preserving the core ideals embodied in the Credo. 3M sold off entire chunks of its company that offered little opportunity for innovation—a dramatic move that surprised the business press—in order to refocus on its enduring purpose of solving unsolved problems innovatively. Indeed, if there is any one “secret” to an enduring great company, it is the ability to manage continuity and change—a discipline that must be consciously practiced, even by the most visionary of companies.

Fourth, there are many visionary companies out there, and they’ve found the book to be a welcome confirmation of their approach to business. The companies in our study represent only a small slice of the visionary company landscape. Visionary companies come in many packages: large and small, public and private, high profile and reclusive, stand-alone companies and subsidiaries. Well-known companies not in our original study such as Coca-Cola, L.L. Bean, Levi Strauss, McDonald’s, McKinsey, and State Farm almost certainly qualify as visionary companies, and others like Nike—not yet old enough—will probably enter that league. But there are also a large number of less well-known visionary companies, many of them private and somewhat reclusive. Some are older, well-established companies, such as Cargill, Edward D. Jones, Fannie Mae, Granite Rock, Molex, and Telecare. Others are up-and-coming companies, such as Bonneville International, Cypress, GSD&M, Landmark Communications, Manco, MBNA, Taylor Corporation, Sunrise Medical, and WL Gore. The business press tends to rivet our attention on the Icarus companies—high-profile firms either on the way up or the way down. We regularly come in contact with a very different group of companies—solid, paying attention to the fundamentals, shunning the limelight, creating jobs, generating wealth, and making a contribution to society. We feel optimistic as we see these companies—and there are a lot of them—make their way in the world.

BUILT TO LAST IN A GLOBAL, MULTICULTURAL WORLD

Given that seventeen of the eighteen visionary companies we studied for *Built to Last* have their headquarters in the United States, we were unsure how the basic concepts would play in the rest of the world. Since publication we’ve learned that the central concepts in *Built to Last* apply

worldwide, across cultures and in multicultural environments. Between the two of us, we've traveled to every continent except Antarctica delivering seminars and lectures and working with companies. We've worked in a wide variety of countries with distinct cultures, including Argentina, Australia, Brazil, Chile, Colombia, Denmark, Finland, Germany, Holland, Israel, Italy, Mexico, New Zealand, the Philippines, Singapore, South Africa, Switzerland, Thailand, and Venezuela. And, although we have not yet traveled extensively in all parts of Asia, the book has had a strong reception there, with translations in Chinese, Korean, and Japanese.

The aspiration to build an enduring great company is not uniquely American; we've met clock-builders in every culture. Enlightened business leaders around the globe intuitively understand the importance of timeless core values and a purpose beyond just making money. They also exhibit the same relentless drive for progress we found in those who built the American visionary companies. We've seen BHAGs in Brazil, cult-like cultures in Scandinavia, "try a lot of stuff and keep what works" strategies in Israel, continuous self-improvement in South Africa. And the best organizations everywhere pay close attention to consistency and alignment.

The fact that we primarily studied U.S.-based firms for *Built to Last* reflects our research methodology more than the global corporate landscape (we assembled our list of visionary companies by surveying 700 CEOs of companies based in the United States). Established and up-and-coming visionary companies exist in many countries—FEMSA in Mexico, Husky in Canada, Odebrecht in Brazil, Sun International in England, Honda in Japan, to name a few. In a new research initiative designed to replicate the *Built to Last* analysis and systematically test the ideas in Europe, Jerry (in conjunction with OCC, a European consulting firm) has identified eighteen European visionary companies: ABB, BMW, Carrefour, Daimler Benz, Deutsche Bank, Ericsson, Fiat, Glaxo, ING, L'Oréal, Marks & Spencer, Nestlé, Nokia, Philips, Roche, Shell, Siemens, and Unilever.

We've also seen how the concepts apply to multinational or global companies that have many cultures within one organization. A global visionary company separates operating practices and business strategies (which should vary from country to country) from core values and purpose (which should be universal and enduring within the company, no matter where it does business). A visionary company exports its core values and purpose to all of its operations in every country, but tailors its practices and