Virginia Commonwealth University
VCU Scholars Compass

MGMT 641 Leadership Book Reviews | Dept. of Management

2016

Book Review: Built to Last

Melanie A. Kulesz
Virginia Commonwealth University

Follow this and additional works at: https://scholarscompass.vcu.edu/mgmt641

Part of the Business Commons

© The Author

Downloaded from
https://scholarscompass.vcu.edu/mgmt641/7

This Book Review is brought to you for free and open access by the Dept. of Management at VCU Scholars Compass. It has been accepted for inclusion in MGMT 641 Leadership Book Reviews by an authorized administrator of VCU Scholars Compass. For more information, please contact libcompass@vcu.edu.

Book Review: Built to Last

by Melanie A. Kulesz

Introduction

Built to Last: Successful Habits of Visionary Companies by James C. Collins and Jerry I. Porras (1994) outlines the results of a six-year research project investigating what makes a visionary company. Collins, a business consultant and lecturer, and Porras, a Stanford business professor and business and management analyst, elected to survey chief executive officers at leading corporations from a wide range of sizes, industries, types, and geographical locations and asked them to help create a list of visionary companies to study. The authors compared the selected companies and explored the trends and commonalities in how visionary companies differentiate.

The two primary arguments for the authors' research are "to identify the underlying characteristics and dynamics common to highly visionary companies" and "to effectively communicate these findings and concepts so that they influence the practice of management and prove beneficial to people who want to help create, build, and maintain visionary companies" (p. 12). Through their widespread research and extensive selection process, the authors argue that visionary companies distinguish themselves through underlying characteristics and dynamics, which, in turn, enable them to have a lasting success. Their argument is supported with detailed evidence and complementary examples of the past and [then] present of the sample and comparison companies. However, in researching the sample companies in present-day 2016, many of these companies have fallen short of being visionary and premier players for lasting success.

Summary

Built to Last (Collins & Porras, 1994) is organized thematically to support the authors' claims that visionary companies distinguish themselves through essential characteristics, beginning with the myth that all great companies start with a great idea and ending with the concept that all the elements of a company work within the context of the company's core ideology. In between, the authors explore the concept that visionary companies do not focus on the or; they focus on maintaining the and between factors of success—that success is more than just profits, and preserving its core ideology that the company actually desires to be a visionary company. In addition, the authors also discover how highly visionary companies often use bold missions that are clear and compelling and attain their extraordinary position largely because of the simple fact that they are so demanding of themselves. Collins and Porras also present evidence that the environment of visionary companies tends to be that they are more demanding of their employees than other companies, both in terms of performance and congruence with the ideology. Lastly, in examining the history of the visionary companies, the authors discovered that the companies make some of their best moves not by detailed strategic planning, but rather by experimentation, trial and error, opportunism, and accident.

Evaluation/Analysis

Collins and Porras (1994) did not seek to find what is common across a group of companies, but rather what is essentially different about the

compared companies. Knowing that they would need to compare companies against one another to conclude what characteristics set the visionary companies apart, it is important to note that the authors surveyed a carefully selected representative sample of seven hundred CEOs from Fortune 500 industrial and service companies and narrowed down the list to twenty organizations. This was a smart decision on the authors' part to avoid the fundamental flaw of simply looking for common characteristics among the visionary companies. The criteria for the comparison companies was that the organization must be of the same founding era, similar founding products and markets, fewer mentions in the CEO survey, and *not a dog company*, meaning that the authors did not want to compare the visionary companies to total failures or poor performers. By including comparison companies and foregoing an extensive selection process, the authors were able to discover the key differentiating trends that make a visionary company and assure that the information is valuable. This step is essential to the research project to assure the readers that the findings presented in this book are valuable and true to their results.

We are taught of the importance of starting first and foremost with a good idea and well-developed product/market strategy and then jumping through the *window of opportunity* before it closes. However, the authors discovered in their research that highly visionary companies differ from this fallacy in that it is not about one product or idea, but rather it is about the company as a whole. Collins and Porras help the readers to understand this concept through their research and explanation of the Walt Disney Company and the Wal-Mart Corporation. Walt Disney's greatest creation was not *Fantasia*, or *Snow White*, or even Disneyland; it was the Walt Disney Company and its uncanny ability to make people happy. Likewise, Sam Walton's greatest creation wasn't the Wal-Mart concept; it was the Wal-Mart Corporation—an organization that could implement retailing concepts on a large scale better than any company in the world (Collins & Porras, 1994). These are just two examples of companies that defied the mythology that those who launch highly successful and visionary companies usually begin first and foremost with a brilliant idea and then ride the growth curve of an attractive product life cycle.

Similarly, the authors did not find *maximizing shareholder wealth or profit maximization* as the dominant driving force or primary objective through the history of most of the visionary companies. They found that the visionary companies have generally been more ideologically driven and less purely profit-driven than the comparison companies. Collins and Porras (1994) further display this notion by describing Johnson & Johnson's (J&J) *enlightened self-interest*, wherein "service to customers comes first, service to employees and management second, service to community third, and service to stockholders last" (p. 58).

The authors also add the case of the 1982 Tylenol Crisis, where someone had laced J&J Tylenol with cyanide. The company took precaution and spent $100 million to remove all Tylenol from the entire U.S. market, not just the Chicago market where it had happened. Through the 1982 Tylenol Crisis, the authors clearly demonstrate how Johnson & Johnson is a company willing to do what is right, regardless of the cost, which therefore makes them a truly visionary company.

The authors further use Johnson & Johnson to expand on their accidental move into consumer products by drawing on the conclusion that visionary companies also make some of the best moves by experimentation. In 1890, J&J was primarily a supplier of antiseptic gauze and medical plasters. After receiving a letter from a physician

who complained about patient skin irritation from certain medicated plasters, J&J's director of research quickly responded by sending a packet of soothing Italian talc to apply on the skin. He then convinced the company to include a small can of talc as part of the standard package with certain products and, to the company's surprise, customers soon began asking to buy more of the talc directly. With further experimentation, the company took a tiny incremental step that eventually mushroomed into a significant strategic shift into consumer products—an "accident" which eventually grew to become 44% of J&J's revenues (Collins & Porras, 1994, p. 141). The authors' research into the history and business model of J&J is just one of the ways in which they discovered underlying characteristics and dynamics that make up a visionary company.

Built to Last not only explores vision as a result of experimentation, but also as a means of having "*big hairy audacious goals*" (Collins & Porras, 1994, p. 113), in other words, bold missions. All companies have goals, but the authors conclude that there is a difference between merely having a goal and becoming committed to a huge, daunting challenge. The authors show the readers that this is a key characteristic among visionary companies by referencing the moon mission in the 1960s. Congress agreed to President Kennedy's proclamation on May 25, 1961, "that this Nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth" (p. 94). Given the odds, this was a bold and outrageous commitment, but the authors describe that that's part of what made it such a powerful mechanism for getting the United States, still groggy from the 1950s and the Eisenhower era, moving vigorously forward. A *big hairy audacious goal* engages people; it reaches out and grabs them in the gut. It is tangible, energizing, highly focused. People "get it" right away; it takes little or no explanation. Collins and Porras (1994) also use General Electric's (GE) core goal statement in the text to further illustrate the effectiveness of a bold mission: "Become #1 or #2 in every market we serve and revolutionize this company to have the speed and agility of a small enterprise" (p. 95). The authors show that GE's goal is clear, compelling, and more likely to stimulate progress, similar to the moon mission example. Lastly, the authors effectively illustrate to the audience of a similar pattern at Walt Disney Company, which has stimulated progress throughout its history by making bold, and often risky, commitments to audacious projects. In 1934, Walt Disney aimed to do something never before done in the movie industry: create a successful full-length animated feature film. Two decades after Snow White, Pinocchio, Fantasia, and Bambi, he built a radically new kind of amusement park, Disneyland, repeated the process again in creating EPCOT center in Florida, and eventually went on to create the idea of Walt Disney World (for which his brother later carried the torch). The moon mission, General Electric's core goal, and Walt Disney's bold commitments are all examples with which Collins and Porras (1994) convince the readers to be commonalities among the researched visionary companies.

Lastly, the authors conclude the book with the importance of alignment in visionary companies: that all the elements of a company work together in concert within the context of the company's core ideology and the type of progress it aims to achieve. They illustrate the concept of alignment through their example of American pharmaceutical company Merck & Co. In the late 1920s, George W. Merck formulated the backbone of Merck's vision. Building upon core values of integrity, contribution to society, responsibility to customers and employees, and the unequivocal pursuit of quality and excellence, he envisioned Merck as a world-class company that benefits humanity through innovative contributions to medicine—a company that makes superb profits

not as the primary goal, but as a residual result of succeeding at that task. Collins and Porras (1994) go into great detail to show how consistently Merck has aligned itself with the core ideology and the type of progress envisioned by George Merck, and the company has therefore attained success as a visionary company. For example, the company set the audacious goal to create a research capability so outstanding that it could "talk on equal terms with the universities and research institutes" (p. 204). Merck also gave research scientists "the greatest possible latitude and scope in pursuing their investigations, the utmost freedom to follow promising leads—no matter how unrelated to practical returns" (p. 205). Furthermore, unlike most American corporations, Merck prohibited marketing input into the pure research process until products had clearly entered the development stage. Merck also has a long track record of being well aligned with its ideology of corporate responsibility. Collins and Porras (1994) do a great job of helping the readers to understand how Merck & Co. has been labeled a visionary company through their use of alignment.

Conclusion

In *Built to Last: Successful Habits of Visionary Companies* (1994), James Collins and Jerry Porras spent six years conducting research among companies and presenting valid examples based on the stories and research data to identify key characteristics that make up a visionary company. They thematically present the underlying features throughout the book, split into themed chapters. *Built to Last* (1994) helps the reader, whether a business owner, business student, or simply the average individual, to assess the key characteristics among a list of visionary companies in the hopes that they can understand what it takes to create a visionary company. The authors demonstrate that visionary companies display a remarkable resiliency, an ability to bounce back from adversity, and therefore attain extraordinary long-term performance. It is evident that the authors have done extensive research in coming up with key arguments to support their conclusions. Every chapter displays a new finding and how it relates to the underlying characteristics of what makes a visionary company. However, published in the nineties, the book is now a little dated. While the values and concepts still hold true, this presents an avenue for future research. There is a fundamental flaw in that some of the companies from the authors' research have fallen short of being visionary and premier players for lasting success. Ford, Motorola, Merck, Sony, Walt Disney, Boeing, and Nordstrom have all faltered in their performance, despite being described as lasting visionary companies in *Built to Last*. It would be beneficial to repeat the experiment in present time to update the criteria and also compare against past results.

References

Collins, J. C., & Porras, J. I. (1994). *Built to Last: Successful Habits of Visionary Companies*. New York, NY: Harper Business.