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Review Article

The Secrets of Corporate Longevity: A Critical Review

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Built to Last. Successful Habits of Visionary Companies. By James C. Collins and Jerry I. Porras. 1994, New York: HarperBusiness, 322 pp., $25.00.

Its authors, James Collins and Jerry Porras, argue that *Built to Last* is a ground-breaking work which provides new insights into the characteristics and dynamics associated with corporate longevity in exceptional, "visionary" companies. The book claims to offer a conceptual framework to aid practitioners and its comprehensive range of data sources appears to form an informed starting point from which to chart the story of the development of visionary companies. The book aims to develop a new theory of vision and revisits the important theme in recent management research of the roots of corporate excellence. The findings offer empirical support for existing literature which focuses on the organization primarily as a social institution, while offering some fresh insights into the habits associated with organizational longevity and superior performance.

The book details the entire life histories of 18 (mainly U.S.) visionary companies:

3M	Nordstrom	IBM
Boeing	Procter & Gamble	Marriott
Ford	Wal-Mart	Motorola
Hewlett-Packard	American Express	Philip Morris
Johnson & Johnson	Citicorp	Sony
Merck	General Electric	Walt Disney

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The sample was selected by CEOs of successful companies. The histories of the successful companies are compared with a sample of comparison control companies also successful in their own right, the second or third industry player in the same industry as their visionary counterparts. The large research team investigated nine categories of information over the history of the visionary companies: the "hard" organizing arrangements, the "soft" social factors (i.e., culture, norms, style), physical setting (geographic and layout), technology, leadership, products and services, vision, financial analysis, and external environment. As well as documentary and interview data, the authors draw upon literature from a range of social science disciplines and expose their ideas to a double hurdle, testing their theories by "trial by fire" on real world consulting projects to generate a feedback loop for theory development and refinement.

THE SOURCES OF VISION

"Visionary companies" are defined as follows (Collins & Porras, 1994, p. 2):

- They are the premier companies in their industries.
- They have made an indelible imprint on the world.
- They are widely admired by knowledgeable business people.
- They have had multiple generations of chief executives and were founded prior to 1950.
- They have been through multiple product or service life-cycles.

The term "visionary company" is used to imply more than enduring. It encompasses both resilience and extraordinary long-term performance (defined in terms of both contribution to society and according to long-term financial performance). Visionary companies have left their mark on society through products and services which have become part of the fabric of our everyday lives.

The authors draw a number of what they claim are important and original lessons from their study. In particular, the book claims to have shattered 12 common management myths. These are:

1. It takes a great idea to start a great company.
2. Visionary companies require great and charismatic visionary leaders.
3. The most successful companies exist first and foremost to maximize profit.
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 by 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."

The visionary company builds for long-term success. It is characterized by a core ideology, an unrelenting drive for progress and a well-designed organization. The research reveals five established methods for achieving these visionary traits—"Big Hairy Audacious Goals," cult-like cultures, evolution through experimentation, home grown management, and continuous self-improvement—while acknowledging that different, perhaps better methods will emerge in the future.

HOW TO CREATE VISIONARY COMPANIES

The book introduces four key management principles as the building blocks of the visionary company:

- Be a clock builder, not a time teller.
- Embrace the "Genius of the AND."
- Preserve the core and stimulate progress.
- Seek alignment with the core ideology.

"Time telling" is epitomized by the great idea, often embodied in the belief in the omnipotence of the great leader, whereas the more important "clock building" involves an "architectural" approach, the design and building of a firm that will last beyond any one individual, no matter how powerful a leader, and beyond any one successful product life cycle. Collins and Porras suggest that "the continual stream of great products and services from highly visionary companies stems from them being outstanding organizations, not the other way round" (Collins & Porras, 1994, p. 31). The company acts as a facilitator of individual creativity through skillful management.

The authors draw on Chinese philosophy and the distinct complementary forces of yin and yang to reject the "Tyranny of the OR." The latter is "the rational view that cannot easily accept paradox, that cannot live with two seemingly contradictory forces or ideas at the same time" (Collins

& Porras, 1994, p. 42). Rather than choosing one generic strategy (low cost or high quality) or between change and stability, the authors argue that it is possible to transcend dualism and pursue and achieve multiple apparently contradictory objectives at the same time. This phenomenon is described as the "Genius of the AND."

Core ideology provides direction and motivation throughout a firm's historical development. This ideology is based on the founding principles of the business, its core values (guiding principles) and purpose (reason for existence). The purpose of the business should be "broad, fundamental and enduring" beyond the confines of trends, market definitions and fads, and should endure beyond the completion of any one particular project (Collins & Porras, 1994, p. 77). Examples of corporate purpose include Disney's "bringing happiness to millions." The authors are at some pains to point out that a focus on the value of profit alone is not a purpose that is likely to sustain a company long.

For an ideology to be effective it has to be translated into tangible practices. An example quoted to illustrate this point is that of the Johnson and Johnson credo which, Collins and Porras argue, converts the purpose of the business into action through the planning process, strategic decisions, and organizational structure. The visionary companies seek pragmatic solutions consistent with the core ideology. The authenticity of the core ideology is essential and is often based upon the deep convictions of the founding architects. The content of the core ideology is idiosyncratic to the firm and developed independent of the external environment. It is an ideology that can take up to 20 years to develop, a period far beyond the start-up stage of the company life-cycle.

THE ESSENCE OF VISION

Collins and Porras describe the essence of the visionary company as "preserve the core and stimulate progress." They portray the drive for progress as a basic human urge "to explore, to create, to discover, to achieve, to change, to improve" (Collins & Porras, 1994, p. 82). The conceptual framework builds from the intangible notions of a clock building orientation, core ideology, and the drive for progress to tangible mechanisms aligned to preserve the core and stimulate progress. These mechanisms are encapsulated in the analysis of how visionary corporations create their futures. The research offers two main forms of progress in addition to self-improvement: the Big Hairy Audacious Goal (BHAG) based on explicit goals and bold discontinuous leaps; and evolutionary progress which is unplanned and based upon incremental steps to seize an opportunity. The latter frequently involves coping with ambiguity.

The BHAG is designed to symbolize the clear and demanding goals required to focus effort to a result. Once the goal has been achieved a new BHAG is necessary to avoid complacency. The enormity of meeting the BHAG is demonstrated by the IBM 360 project, a frequently quoted example of a "bet the company" decision and one that determined the evolution not only of a company but of an entire industry over a period of some decades. The BHAG should be able to generate sufficient momentum to transcend the reign of any one individual leader and thus the "post heroic leader stall" can be avoided (Collins & Porras, 1994, p. 107).

The authors apply Darwin's theory of evolution to the visionary companies. In the human organization, natural selection is replaced by "conscious selection" for "purposeful evolution" which draws on individual initiative (Collins & Porras, 1994, p. 148). The example of 3M is quoted. Here a strategy of ideas generation (variation) and ideas testing (selection) enables the organization to operate as a "mutation machine." The outcome, 3M's "branching and pruning" strategy, captures how businesses develop their portfolios through evolutionary progress. This is not a strategy of chance because the organization is built to encourage variety and screening. The 3M model of evolutionary progress is based on vigorous action, accepting the inevitability of mistakes from experimentation, taking small steps on new ideas, and giving people operational autonomy to develop ideas but with tangible mechanisms such as targets and goals to ensure results.

This is not a blueprint book. The authors stress that there is no universal method for organizational progress. Not all the visionary companies use evolutionary progress, some, such as IBM and Disney, are more reliant on BHAGs while others, like Merck and Nordstrom, are more reliant on self-improvement. Collins and Porras found that visionary companies did not necessarily "stick to the knitting" (Peters & Waterman, 1982) in the sense of avoiding diversification. They argue that the "real question is: What is the "knitting" in a visionary company?" (Collins & Porras, 1994, p. 167). To which they reply that the core ideology acts as the knitting, as the "bonding glue and guiding force."

CULTISM AND HOME-GROWN MANAGEMENT

The focus upon ideology leads logically into a consideration of corporate culture. The visionary company is described as having a "cult-like" culture. The researchers reviewed the literature on cults and found four common characteristics shared by a visionary company:

- Fervently held ideology.
- Indoctrination.

- Tightness of fit.
- Elitism.

"Cultism" comprises a series of practices that create a cult-like environment around the core ideology in highly visionary companies. Cultist practices are designed to screen out those individuals who do not fit with the organization and to encourage extreme loyalty in those who remain. Socialization, training, special language, and mythology are some of the methods for developing a cult-like culture. The authors acknowledge the danger of groupthink from ideological control and so advocate a counterbalance of operational autonomy to stimulate a diversity of ideas but, by placing the core ideology as the permanent foundation for the organization, the employees of the visionary organization are more secure in changing the company.

Another characteristic of the visionary company is home-grown management. "The visionary companies were six times more likely to promote an insider to chief executive than the comparison companies" (Collins & Porras, 1994, p. 173). The research endorses the logic of promoting from within and the merits of long-range development and succession strategies for senior posts. The "leadership continuity loop" of internal executive development is contrasted to the unplanned succession problem, frequently, but only superficially, resolved by the "leadership gap and saviour syndrome." Motorola have created the chief executive office where several individuals share the leadership role. In instances where an outsider is brought in, ideological continuity is essential to preserve the core. For example, Michael Eisner at Disney, who was described by one Disney employee as "more Walt than Walt" (Collins & Porras, 1994, p. 182).

Stability of management in the founding years appears a key characteristic of the visionary company. The authors found that in the visionary companies the key architects remained in post a long time (on average 32.4 years) (Collins & Porras, 1994, p. 184). Management succession may create development problems if the founding ideology is not established. Collins and Porras challenge the "entrepreneurial model" of building fast growth businesses around great ideas with early exit strategies for founding managers and/or funding partners as an effective model for generating enduring exceptional companies. Their research not only challenges the logic of picking winners among new ventures. The true basis of long-term, enduring success does not become apparent for many years. Indeed, according to their evidence, initial success may be an indicator of future mediocrity. They found a negative correlation between early entrepreneurial success and becoming a highly visionary company (Collins & Porras, 1994, p. 28). This suggests that a closer focus on the purpose of a business and its mechanisms for progress may be essential for those seeking long-term performance indicators.

SELF-CONFIDENCE AND SELF-CRITICISM

A visionary company exhibits both the self-confidence of the bold goal and the self-criticism necessary for self-improvement. The visionary company is concerned with continual improvement in a holistic sense. The authors stress that: "In a visionary company, it is an institutionalised habit—a disciplined way of life—ingrained into the fabric of the organisation and reinforced by tangible mechanisms that create discontent with the status quo" (Collins & Porras, 1994, p. 186). The visionary company uses "discomfort mechanisms" to maintain progress—for example, Procter and Gamble employs a form of internal brand competition and Boeing the notion of developing strategy by looking through the "eyes of the enemy"—as a means of avoiding complacency and inertia.

Self-improvement is allied to creativity. Collins and Porras advocate creativity using an analogy comparing the visionary company to a great artist or inventor who, like such an organization, thrives on discontent. Both artist and company "understand that contentment leads to complacency, which inevitably leads to decline" (Collins & Porras, 1994, p. 187). The authors quote from Dave Packard to capture the link between creativity and "clock-building": "The problem is, how do you develop an environment in which individuals can be creative?" (Collins & Porras, 1994, p. 30). The visionary companies have institutionalized creativity to enable "advancement" (Krogh, Roos, & Slocum, 1994, p. 64).

Finally, Collins and Porras stress the importance of the "alignment" of everything that the company does with the core ideology and the drive for progress. Visionary companies "cluster" to achieve synergies and linkages which intensify the drive for progress and amplify the core ideology. Collins and Porras recognize that people work on small parts of the whole and that the perception of tiny inconsistencies can threaten the core. Misalignments arise all the time, in any part of the organization (for example, between strategy and structure, or even office layout). The authors use the unpredictability and division of the cancer cell to describe this process. Misalignments have to be removed or the disease will spread pushing the organization away from its core. Realignment can be a key tool for redirecting a visionary company that is losing its way.

CONTRIBUTIONS OF *BUILT TO LAST*

This book does make some very positive contributions to our thinking about management. The criticism of visionary leadership is timely. Contrary to recent views extolling the virtues of leadership, Collins and Porras argue convincingly that the great and charismatic visionary leader is *not* necessary to long-term success. The question "Who is the visionary leader at 3M?" encapsulates this point. 3M have flourished without such a superman/woman. This de-emphasizing of leadership rectifies one of the shortcomings of Peters and Waterman's (1992) argument stressing the importance of the leader as a crucial factor in their excellent companies. The emphasis upon leader as "saviour" reflects "infantile" tendencies (Bion, 1961) and the fate of excellent companies that have struggled to retain excellence demonstrates that firmer foundations are necessary for long-term success.

Collins and Porras are surely right in their claim that we need better ways of conceptualizing company rather than individual characteristics. The greater emphasis on R&D in visionary companies is another important lesson, as is the downgrading of profitability as the ultimate touchstone of corporate value (although it is ironic that the authors use financial performance as a major touchstone of performance in this study). The emphasis on the importance of "home-grown" management—"Promote from within to preserve the core"—is also important. Indeed the chapter on "Home-grown management" is perhaps the most significant in the book. It makes important points that would help the development of research into top-management teams and could be profitably extended.

Two management myths that the authors do convincingly expose are: the need for a great idea to start a business and the wisdom of injecting new direction through appointing a CEO from outside the company. The results indicate that a visionary company is less likely to enjoy early entrepreneurial success, built on the big idea, than its comparison. This finding raises questions about the most appropriate screening processes for allocating funds to developing businesses? For firms considering the shake-up benefits of recruiting an external CEO caution is urged. In the 1700 years of visionary corporate history covered by the research, there were only four incidents of going outside for a CEO.

SHORTCOMINGS OF THE STUDY

Despite the strengths of the book, one does need to highlight some major shortcomings. Collins and Porras's main focus of the book is upon U.S. companies. Whether the analysis is generalizable across cultures and time is an issue. The book, in fact, rediscovers some of the findings of studies of successful Japanese firms where a holistic management approach based upon an internal labor market, socialization, and a strong company philosophy appear to be conducive to success in global markets. As well as the higher investment in R&D and human capital, the visionary companies share an intensity of work effort which, it could be argued, is comparable to that of Japanese companies. Nonaka and Takeuchi (1995), also drawing on Eastern philosophy and Japanese management practices, advocate synergy between many of the factors frequently presented dichotomously in Western management literature.

Collins and Porras argue that in the more dispersed world of work of the twenty-first century core ideology will be more essential than ever as a linking device. However, the firms in the study had already achieved large firm status by the time of the new competition of the late twentieth century, so the results from this study may not be generalizable to today's new firms. Furthermore, it is acknowledged that IBM began to struggle as it moved away from its core ideology. What remains unanswered is whether the altered competitive environment reduced IBM's ability to be cultist, which would have implications for future management practice. Whether in practice the habits of a visionary company are sustainable in a more fragmented labor market remains to be seen.

One also wonders about the originality of some of the books findings. For example, some of the "myths" that Collins and Porras challenge have already been well exposed. For example, that exceptional companies require charismatic leaders is a notion challenged by Kotter (1988) and Senge (1990). The notion that highly successful companies make their best moves by strategic planning is criticized by Pascale (1990) and Mintzberg (1994), who demonstrate, but in a more systematic manner, that the history of the visionary companies reveals that many of their best developments were not strategically planned, but the result of trial and error, accident, and opportunism.

One experiences many such feelings of *deja vu*. For example, their explanation of evolutionary progress appears to mix Peters and Waterman's (1982) "bias for action" with Quinn's (1978) concept of "logical incrementalism." The issue of managing the paradoxes of the management process "the having your cake and eating it too" has been raised by Bahrami (1992). The BHAGs idea, the importance of "Big Hairy Audacious Goals," is more cogently developed, and using a more convincing vocabulary, by Hamel and Prahalad in their much applauded *Harvard Business Review* article of 1989 on "strategic intent," although one positive lesson of the Porras and Collins analysis is that it suggests that strategic intent, as proposed by Hamel and Prahalad, needs complementing with a philosophical intent and that the link between intent and ideology is important.

What the strategic intent argument, as presented by Hamel and Prahalad, does provide, which is lacking in *Built to Last*, is a link into the important debate concerning corporate competence. Collins and Porras's discussion of "home-grown" management makes a potentially useful contribution to debates about the roots of competence but is insufficiently developed. The emphasis upon management development and succession planning based upon a cohort of strong internally developed managers to promote continuity of leadership as a way of preserving the core of the company loses some of its effect as it submerges among a plethora of other themes and the abstract principle of "preserve the core/stimulate progress." The way in which leadership can be made conducive to the stimulation of progress is not sufficiently theorized.

Hamel and Prahalad's (1994) study makes a useful point of comparison with *Built to Last*. Hamel and Prahalad approach the issue of long-term success through the theoretical perspective of the resource-based view of the firm and in their exploration of intent/vision, strategic intent is symbiotically linked to the notion of core competence which is conceptualized as a basic source, indeed perhaps the most important source of competitive advantage. It is the concept of competence that takes center stage in their analysis and the issue of competence has become one of the most important in contemporary strategic management research.

The grandest claim that Porras and Collins make is that they have unearthed one crucial distinguishing characteristic in their high-performing companies, the yin–yang principle/concept of "preserving the core and stimulating progress." However, their notion of "core" while important is imperfectly theorized. While emphasizing core values and ideologies and how these need to be aligned with purpose, they fail to make this lesson concrete. A key problem for their argument is that core ideologies differ so much from visionary company to visionary company. As a result, the importance of ideology remains too abstract. Their definition of the "knitting," core ideology as "bonding glue and guiding force," is also problematic. Visionary companies take time to refine their core ideology, time during which the basic strengths of the business are emerging/being developed. It would be useful to elaborate the Collins and Porras perspective upon the emerging properties of the companies they studied from a focus in which competence was a core factor. It would appear that ideology is predicated upon a competence base, but the relationship between this base and its impact upon vision remains unexplored.

This is symptomatic of the book's main failing. There are crucial questions the authors touch upon but do not address adequately and this has much to do with their research methodology. The book sets out to track the development of the companies over their full life-spans. This is an important task but, in the final analysis, the reader is left somewhat underwhelmed by their conclusions. The overriding impression is that the book is over-dependent upon secondary sources, autobiographies of top managers, biographies, and histories of the company. Much of the evidence leaves something to be desired in terms of academic rigor and critical perspective. Too much is accepted on face value. One does not have a sense of the authors penetrating deeply into the organizations they describe and this air of superficiality undermines their grand claims. There are other stories to be told which perhaps have more to teach us.

There are important things happening in their visionary companies, crucial to their future development, that Collins and Porras do not address and, more important, that their framework would struggle to accommodate. For example, Ford, despite its successes in the U.S. in the 1980s, experienced major problems in Europe (Starkey & McKinlay, 1993). How does the Collins and Porras "framework" help us to understand these problems and to explain why General Motors was far more successful than Ford in what is one of the world's most important automobile markets? In Ford's case there was a major problem of diffusing a new corporate vision from the parent company to its European subsidiary. Disney, too, has experienced major problems in Europe and has struggled to replicate the success it has experienced in other parts of the world in EuroDisney in France. What do these examples teach us about visionary companies?

How is the factor the author's emphasize as Sony's distinguishing feature and the source of its vision—Sony's "pioneering spirit"—compatible with its major business decisions of recent years, its acquisitions in the U.S. film and record industries? Sony has yet to demonstrate that it can manage these successfully. It appears unlikely that the company possesses the necessary "home-grown" management skills to accomplish this task. How are Merck's audacious R&D goals—so important in the past—sustainable in the light of its recent acquisitions to develop a range of activities to accommodate downstream activities in the distribution of pharmaceutical products? What is happening in the Sony and Merck cases are major shifts of emphasis in the activities these companies have focused upon until recently in their value chains. One needs to understand better the link between vision, competence, and the value chain.

CONCLUSION

Built to Last self-consciously places itself in a "tradition" of management books that includes work such as Peters and Waterman's *In Search of Excellence* (1982) and the earlier work of Peter Drucker as well as work on corporate culture and leadership by authors such as Edgar Schein and John Kotter. They are, however, at pains to differentiate their study from Peters and Waterman's by arguing that there is a major difference in research method. They studied their 18 visionary companies through their entire life-span and they make direct comparisons with a control group of other companies in the same industries, features that are missing in Peters and Waterman. Another key difference they argue is that they have developed a framework of underlying ideas to describe the behavior of their visionary companies. It is when one considers this claim that the shortcomings of the book begin to become evident.

The reader can legitimately raise the question: What constitutes a framework in this context? Peters and Waterman's major contributions are: a set of key management practices (eight in total) that form the building blocks of excellence and the development of the "Seven S" framework/model as a very useful analytic tool for understanding organizations. It is likely that the Seven S framework will be their lasting legacy with the attention that it brings to the need to define organization in a broad sense (encompassing the Seven Ss—strategy, structure, systems, skills, staff, style, and superordinate goals) and to align these seven factors. This is a simple but elegant and useful idea.

Built to Last ultimately fails to deliver its promise because it does not provide us with such a framework or adequate concepts that allow us to theorize adequately the key strategic issues it itself sets out to address. It is, in the final analysis, framed in a manner that is too abstract, a failing it shares with many management books of this type. Despite its strong claims, it is not sufficiently grounded in the day-to-day realities of corporate life. While learning much from the book about the companies in question and finding the book interesting and enjoyable the reader is left disappointed. The final product is ultimately insubstantial. What is missing is a clearer demonstration of how competitive advantage arises from the factors that the authors find in visionary companies. We have suggested in our review that an important missing dimension is the notion of core competence. One also finds much of what Collins and Porras say prefigured in the important work of Peter Senge (1990) on the "learning organisation." Senge, too, focuses upon organizational architecture and the link between leadership, learning, vision, and values. Theory should be developed to encompass vision, intent, ideology, competence, and learning.

Competence is based upon knowledge. What management theory needs as a matter of priority is a better understanding of how companies learn, how they create and capitalize upon knowledge (Nonaka & Takeuchi, 1995). A company that is well structured, with a supportive organizational culture and a clear vision is in a better position to exploit its accumulated knowledge than companies lacking these features (Wikstrom & Normann, 1994). But a theory such as the one espoused by Collins and Porras that emphasizes culture and vision as its core concepts has a hollow center. Culture and vision by themselves do not tell us how knowledge is produced and competence developed. To use the metaphor of "clock building" that Collins and Porras return to on a number of occasions, one is not convinced that the book does explain why these companies have been so undeniably successful. One does not, in the final analysis, understand what really makes them "tick!"

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