

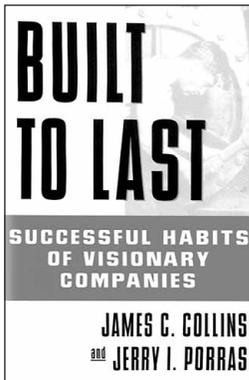
SOUNDVIEW **Executive Book Summaries®**

FILE: MANAGEMENT

You Can Learn from the Habits of Visionary Companies

BUILT TO LAST

By James C. Collins
and Jerry I. Porras



THE SUMMARY IN BRIEF

You are about to look at the results of a landmark study that will change the way you manage.

Authors James Collins and Jerry Porras spent six years studying exceptional companies — visionary companies — to see what accounts for their success.

What are visionary companies? They are the premier organizations in their field, firms that have a long record of having an impact on the world. Ford. Sony. Procter & Gamble. Merck. Motorola. Johnson & Johnson. These are companies that have distinguished themselves as a special and elite breed of *institution*. And, with an average founding date of 1897, and stock-return performance of fifteen times the general market since 1926, they are companies that have stood the test of time.

Collins and Porras surveyed hundreds of CEOs to find out which companies they most esteemed. They chose eighteen, and then researched them deeply. They charted their growth, ran numbers on them, analyzed their cultures, and identified key moments in their corporate lives.

They also compared each to a carefully chosen competitor from the same founding era. Their goal: to uncover the underlying factors that helped the visionary company outperform the competition.

As the box to the left shows, the comparison companies are not dogs. Most are still in business and have done well. But not as well as the visionary companies, which have shown they can bounce back from adversity and stay at the top of the heap year after year.

What Collins and Porras discovered will work for you today, whatever your job or level. You'll learn to view yourself as a "clockbuilder," to preserve the values that set your company apart from others, to set audacious goals, to experiment freely, and much more. And you'll know these concepts have value, because they come from the same playbook that has helped visionary companies soar for decades.

<u>Visionary Co.</u>	<u>Comparison Co.</u>
3M	Norton
American Express	Wells Fargo
Boeing	McD. Douglas
Citicorp	Chase Manhattan
Ford	General Motors
General Electric	Westinghouse
Hewlett-Packard	Texas Instruments
IBM	Burroughs
Johnson & Johnson	Bristol Myers
Marriott	Howard Johnson
Merck	Pfizer
Motorola	Zenith
Nordstrom	Melville
Philip Morris	RJR Nabisco
Procter & Gamble	Colgate
Sony	Kenwood
Wal-Mart	Ames
Walt Disney	Columbia

Take an Architectural Approach

Suppose you read of a person who could tell the exact time just by looking at the position of the sun or stars. "It's April 23, 1996, 2:36 A.M."

Wow, you'd think. What a remarkable person. Yet wouldn't it be more remarkable — and useful for the world — if that person built a clock that anyone could refer to, even after the clockmaker had died?

Having a great idea, or being a charismatic, visionary leader is like "time telling." Building a company that's healthy long after the visionary leader is gone, or after the great product is passé, is "clock building."

Visionary companies have clock-building managers whose greatest creation is the company itself.

Tyranny of the 'Or'

Great companies can hold paradoxical or contradictory ideas.

For instance, they can be conservative at the core yet progressive in their actions; they can invest for the long term and still expect short-term results; they can have high quality at a low cost; they can plan seriously yet move fast when opportunities arise; etc.

In short, they aren't tyrannized by either/or thinking. For them, it's not A or B; it's A and B.

No Great Ideas at HP

Visionary company founders take an architectural approach to building their firms. They concentrate first on the organization's systems and values, then on products.

In fact, you don't need a great product idea to begin. William Hewlett and David Packard of Hewlett-Packard, for instance, had no product in mind when they got together in 1937. They just wanted to start a company together. "We did anything that would bring in a nickel," said Hewlett. Early products included a bowling foul-line indicator, a clock drive for a telescope, and a device to make a urinal flush automatically.

None of these products went anywhere, but the two persisted until they figured out how to build a firm that could pump out great products.

Likewise, Masaru Ibuka didn't have a single product in mind when he launched Sony in 1945. The company survived selling heating pads.

Myth of Charismatic Leaders

Though many visionary companies have had high-profile leaders like Henry Ford or Sam Walton, charismatic leadership is not necessary for success. 3M, for example, has never had a charismatic CEO.

The best leaders, charismatic or

not, make it a point to develop managers and processes. In their view, the firm is not a vehicle for products or personalities; products are a vehicle for the company.

Looked at in that light, Walt Disney's greatest creation wasn't *Snow White* or Disneyland, it's the Disney Company and its ability to make people happy.

Motorola vs. Zenith

Paul Galvin, Motorola's founder, didn't dream about making battery eliminators for radios, its first product. He dreamed foremost about building a great and lasting company. He did that by developing people. He encouraged dissent, discussion, and disagreement, and he gave people freedom to make contributions. He set challenges and gave people responsibility to achieve them.

Zenith, a competitor of Motorola's, was lead by the charismatic Eugene F. McDonald, Jr. The brilliant McDonald moved the company for three decades through the force of his personality. But he gave no thought to management succession or promoting individual initiative.

After McDonald died, Zenith never regained the energy and spark he provided. Compare Zenith with Motorola today, and you'll see how much more valuable clock-building leaders are than time tellers. ☆

Built to Last by James C. Collins and Jerry I. Porras

Selected by Soundview as an Outstanding Book for Business People

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Ideals Drive Visionary Organizations

Decades before “values statements” became popular, George Merck II said, “[We] are workers in industry who are genuinely inspired by the ideals of advancement of medical science, and of service to humanity.” Former Merck CEO P. Roy Vagelos echoed the ideals years later: “Above all, let’s remember that our business success means victory against disease and help to mankind.”

Merck has long used its values to guide its actions. For example, it once developed a drug called Mectizan to cure a Third World disease known as “river blindness.” While it hoped to sell the drug to government and relief agencies, the return on investment would be small.

When it came time to sell Mectizan, however, no one bought it. So Merck gave the drug away to the millions who needed it.

Why give away a drug it took years to develop? It was, of course, good public relations that could pay off down the road. But it was also because the company has never forgotten George Merck’s words: “We try never to forget that medicine is for people. It’s not for the profits. The profits follow . . .”

Such statements are part of Merck’s core ideology — the values and sense of purpose that go beyond just making money.

Merck has lived by its ideals for generations. Competitor Pfizer, in contrast, didn’t mention ideals until the late 1980s. Indeed, a former Pfizer CEO once said, “So far as is humanly possible, we aim to get profit out of everything we do.”

Core Ideologies

Visionary companies have core ideologies. These are basic precepts that say, “This is who we are; this is what we stand for; this is what we’re all about.” These aren’t just words but vital, shaping forces.

Like Merck, visionary companies tend to be more ideologically driven than profit-driven. For them, profit is like oxygen — necessary for life, but not the point of it.

This attitude, paradoxically, can pay off in greater profitability. Asked whether he started Marriott Corporation to create an empire, J. Willard Marriott, Sr., said no. He wanted to give friendly service to guests, provide good food at a fair price, and work hard to make a profit to create more jobs — in that order. ☆

Recipes for Success

Sample the core ideologies of these well-built companies:

Nordstrom: Service to the customer above all else, hard work and productivity, continuous improvement, excellence in reputation, and being part of something special.

Procter & Gamble: Product excellence, continuous self-improvement, honesty, and respect and concern for the individual.

Wal-Mart: To provide value to customers, to buck conventional wisdom, to work with passion and commitment, to run lean, and to pursue ever-higher goals.

An ideology consists of two ingredients: core values and purpose.

Core values are the organization’s enduring tenets and guiding principles — the things that can never be compromised for financial gain or expediency.

A value can usually be boiled down to a simple statement. Procter & Gamble co-founder James Gamble said, “When you cannot make pure goods of full weight, go to something else that is honest, even if it is breaking stone.”

Visionary companies generally have just a few core values that are unique to them. You’ll need to come up with your own based on what you believe deep in your bones.

Purposes are your organization’s fundamental reasons for existing beyond making money. They are broad and enduring. For example, Robert W. Johnson founded Johnson & Johnson “to alleviate pain and suffering.”

Purposes are not about specific products or services. The Disney Company doesn’t exist to “make cartoons for kids,” for example. It exists to “use our imaginations to bring happiness to millions.”

To come up with a purpose, ask: What is our reason for being? What would be lost if we ceased to be? ☆

Ideological Clash: HP and TI

When David Packard addressed a group of managers in a management-development program in Hewlett-Packard’s early days, he didn’t talk about techniques, policies, or numbers. He talked about values. “You can . . . see people who are interested in money and nothing else, but the underlying drives come largely from a desire to . . . do something of value.” A statement by a recent CEO, John Young, shows that Packard institutionalized this sentiment: “If we provide real satisfaction to customers, we will be profitable.” HP also aims to satisfy itself — to manufacture equipment that advances science and improves the welfare of humanity.

In contrast, the corporate goals of Texas Instruments are all financial. For TI, bigger is better — even if it means making low-quality products or those that offer no technical contribution. For instance, it got into things HP wouldn’t touch, like low-end digital watches.

There’s little question that HP’s ideals, including its respect for employees, have helped it outperform TI over the long haul.

Preserve the Core; Stimulate Progress

Every visionary company needs a core ideology (see page 3). But that's not enough; visionary companies couple ideology with a relentless drive for progress that impels forward movement in everything but the core. As Sam Walton pointed out, "You can't just keep doing what works one time, because everything around you is always changing. To succeed, you have to stay out in front of that change."

Don't confuse core ideology with noncore practices or products. As an example, IBM began to ignore its "three basic beliefs": respecting employees, making customers happy, and working hard to do things right. It emphasized mainframe computers, blue suits, and white shirts — none of them core values. That may be why IBM has stumbled lately.

Wal-Mart's core belief "exceed customer expectations" is permanent and unchanging. Having greeters at the front door is a practice that can change. Boeing's core value, "being in the leading edge of aviation; being pioneers" is permanent. Building jumbo jets is a practice that can change.

Whatever your business, strategy and tactics, operations, culture, and products must change over time. The only thing that shouldn't change is core ideology.

Finally, this drive for progress — to go farther and do better — is an internal force. Visionary companies don't wait for the external world to say "it's time to change." They practice self-criticism daily. They make sure they change well before the world forces them to change.

Bruce Nordstrom, talking about the Nordstrom retailing chain's lavish service, said, "We don't want to talk about our service. We're not as good as our reputation. . . . You just have to do it every time, every day." That self-imposed discipline guarantees constant renewal. ☆

BIG, HAIRY, AUDACIOUS GOALS

Use BHAGs to Surge Ahead

A great way to stimulate progress is to set big, hairy, audacious goals (BHAGs, pronounced "bee-hags").

Consider Boeing in 1952. Its workforce had dwindled from a peak of 51,000 during World War II to 7,500. To survive, it knew it had to get into commercial aviation. But airline companies viewed it as a firm that built good bombers, period.

What to do? Commit to a challenging goal: Build a jet for commercial use. The penalty for failure? Perhaps the end of Boeing.

But it didn't fail. It developed and built the 707, bringing the commercial aviation world into the jet age.

In contrast, Boeing competitor Douglas Aircraft, precursor to McDonnell Douglas, stuck with propeller planes and took a wait-and-see attitude regarding commercial jets. It finally introduced the DC-8 in 1958 but never caught up to Boeing.

Boeing has a history of setting BHAGs. When Eastern Airlines said it needed a jet with precise specifications, Boeing took on the challenge.

The plane had to land on runway 4-22 at La Guardia Airport in New York, a notoriously short runway. This jet also had to be able to fly non-stop to Miami without refueling, seat six abreast, and hold 131 passengers. All in all, most agreed, this was an impossible task.

Boeing met the challenge with its 727. It succeeded because, once it got going, it had no other choice. Such goals, by the way, are always aligned with a Boeing core value: to be on the leading edge of aviation.

Clear and Compelling

A good BHAG is clear, compelling, and serves as a unifying focal point. It engages people by reaching out and grabbing them in the gut. A good example: General Electric's goal to be number one or two in every market it's in.

GE competitor Westinghouse, in

contrast, has had vague goals like "market leadership, focused growth, total quality," and so on — nothing that stirs the blood.

Commitment and Risk

The goal alone can't stimulate progress. You need to show a high level of commitment to reaching it. That sometimes involves a great deal of risk. Walt Disney invested most of his company's resources to create *Snow White* in 1934, for instance. People called it "Disney's Folly," believing no one would care to see a full-length feature cartoon.

That movie succeeded, of course, but the naysayers were back at it when Disney proposed creating the radically new kind of amusement park we now know as Disneyland.

Compare Disney with Columbia Pictures, which did little that was bold, visionary, or risky. It turned out a few good movies in the 1950s and 1960s, but it was run by people who saw themselves "first, last, and always . . . as investors, not managers." Columbia was sold in the early 1980s, just as Disney roared back to life.

Finally, a good BHAG can transcend the leader and take on a life of its own. Wal-Mart's Sam Walton, for instance, set a goal he knew would outlive him: to become a \$125 billion company by 2000. ☆

BHAG Guidelines

- A BHAG should be so clear and compelling that it requires little or no explanation.
- A BHAG should fall outside the comfort zone. It should require a heroic effort.
- A BHAG should be so bold and exciting that it will continue to stimulate progress even if leaders disappear before it's achieved.
- A BHAG should be consistent with a company's core ideology.

Great Places to Work — for Some

Visionary companies must be great places to work, right? Not necessarily. If you “fit” with the core ideology and demanding standards of a visionary company, you’ll do fine. If not, you’ll be ejected like a virus. There’s no middle ground.

For example, if you don’t want to crusade for quality at Motorola — even if you work in the lunchroom — you won’t last long.

The Nordstrom Way

Retailer Nordstrom presents a good case of “cultism” — using practices that create an almost cult-like environment around ideology.

For example, heroic stories about “Nordies” delivering great service abound at the company. So do reminders on the wall, cheering, and chants of affirmation.

Those who fit adhere zealously to the core ideology (extraordinary service to customers) and get lots of positive reinforcement. Those who don’t flounder and leave.

Nordstrom also draws strong lines between those who are inside and outside the organization. It portrays “inside” as something very special.

Not Really Cults

Nordstrom, of course, isn’t really a cult. It just indoctrinates its employees strongly and expects a tight fit to its ideology. Also, true cults often revolve around a charismatic leader. Cult-like companies bow down to their ideologies, not a charismatic leader.

Further, while Nordstrom employees are controlled and disciplined, those without an entrepreneurial spirit and initiative will fail.

Indoctrination at P&G

Procter & Gamble is another cult-like visionary company that uses many techniques to enforce the behavior it wants. These range from a strong dress code and open offices to the famous rule that no memo

should be longer than a page.

P&G also controls information tightly. Employees, for instance, can’t work on airplanes.

Such practices work. Employees take great pride in their work, and the firm has rolled over competitors, like Colgate, that don’t instill the same sense of ideology and elitism.

What You Can Do

To get these beneficial effects, build an organization that preserves ideology in specific ways. The following send a consistent set of reinforcing signals that indoctrinate people and create a sense of belonging:

- Training programs that have an ideological as well as practical slant.
- On-the-job socializing.
- Promoting from within.
- Penalties for breaching ideology.
- Constant emphasis on corporate values and heritage, and tales of heroic deeds in the line of duty.

Such mechanisms pay. Cult-like cultures built around an ideology let you turn people loose knowing they’ll do things the company way. ☆

IBM and Burroughs

IBM has been cult-like since its inception, when founder Thomas Watson set out to create an organization of “dedicated zealots.”

Watson instituted strict rules of personal conduct, encouraged marriage, and forbade alcohol. He hired young, impressionable people; set up training programs to indoctrinate new hires; and promoted only from within. He also created IBM-managed country clubs so IBMers could socialize with each other.

These and other practices resulted in a company filled with ardent believers in the IBM way.

Competitor Burroughs, on the other hand, once had a technical edge over IBM. Yet IBM pulled ahead at key moments in the evolution of the computer industry.

Why? In part because Burroughs had no “indoctrination” center, nor did it try to impose tight discipline. Unlike IBM, it did not have a clear self-identity or elitist attitude.

USE HOME-GROWN MANAGEMENT

Here’s a surprising fact: Of the eighteen visionary companies studied, only four times — in a combined 1700 years! — did one of them go outside the firm for a CEO.

Consider General Electric. Business people rightly revere Jack Welch as one of America’s strongest business leaders. GE has soared under him.

Was Welch “new blood” brought in to stir up a drowsy giant? No. Welch joined GE directly after graduate school, and he worked there for twenty years before becoming CEO. Welch, like *all* his predecessors, came from deep within the firm.

GE has a history of “change agent” CEOs who have delivered extraordinary returns while leading the firm. In this stellar group, for

instance, Welch places only fifth out of seven in average return on equity. (Of course, no one will argue with his 26.29 percent average ROE!).

Visionary companies like GE develop, promote, and carefully select managerial talent from inside the company. That helps them preserve the ideals they believe in and ensure a long line of quality leaders. And as the GE story shows, there’s no inconsistency between promoting from within and stimulating significant growth and change.

What does all this mean for you? Whether you are CEO or a department manager, ask yourself who could step into your role and how you could help develop that person. Succession planning is a key to long-term high performance. ☆

Pounce on Opportunities

Visionary companies make some of their best moves by experimentation, trial and error, opportunism, and sometimes by accident.

Lucrative Accidents

Johnson & Johnson, for instance, primarily made antiseptic gauze and medical plasters around the turn of the century. When it received a complaint about skin irritation from certain plasters, J&J began including a can of Italian talc to soothe the skin.

Customers started asking for the product, and the firm introduced Johnson's Baby Powder. Its success prompted J&J to get into the consumer market, a shift that eventually became 44 percent of its revenues.

A different kind of accident led Marriott to airport services. In 1937, J. Willard Marriott discovered that customers at one of his restaurants near Washington's Hoover Airport bought meals to carry on flights.

Marriott paid a visit to Eastern Air Transport and arranged to deliver prepackaged lunches directly to departing airplanes. Successful, Mar-

riott convinced American Airlines to join in, and Marriott Corporation eventually supplied airplanes at more than one hundred airports.

Like Evolution

Accidents often add to the revenues of visionary companies. Such unplanned progress is like evolution — it begins with small incremental steps that sometimes grow into unexpected, large-scale opportunities.

Or wither early. Either way, evolution requires many experiments. As Darwin himself said, "Multiply, vary, let the strongest live, and the weakest die." Johnson & Johnson to this day tries new things often, keeps what works, and discards the rest. Discards, however, can act as fertilizer. R.W. Johnson, Jr., said, "Failure is our most important product."

Think of evolution in terms of a tree. You add new branches through experimentation, but you prune away

dead branches quickly. That allows successes to flourish and makes room for more experiments.

Variation at Wal-Mart

While Wal-Mart may look like a finely engineered machine today, it's really the result of many experiments and accidents.

Take Wal-Mart's "people greeters" — the kindly gentlemen who meet you at the door of a Wal-Mart store. Sam Walton didn't think this up; it came from a store manager in Louisiana who was having trouble with shoplifters. The experiment proved effective and became standard practice at all stores.

A Wal-Mart executive explains the branching and pruning philosophy: "We live by the motto, 'Do it, fix it. Try it.' If you try something and it works, you keep it. If it doesn't work, you fix it or try something else." Like all visionary companies, Wal-Mart makes sure any practice fits with its ideology. ☆

How 3M Succeeds Every Day

Minnesota Mining and Manufacturing began life poorly. Its initial idea, to mine corundum, failed, and the company searched desperately for something to do. 3M settled on sandpaper and grinding wheels, which kept it afloat.

Such troubles led an early CEO, William McKnight, to insist on diversifying. But rather than chart the course himself, he built an organization that would continually change based on the initiative of employees.

McKnight hired good people, let them alone to do their work, and encouraged experimentation. The result was many unplanned, successful products. For example, 3M employee Dick Drew was visiting an auto paint shop when he saw a problem to solve. Two-toned paint jobs had become popular, but shops had trouble separating the two colors.

Drew went to work and came up with a solution: masking tape. Five

years later, he used his experience to develop Scotch tape. Note that 3M hadn't planned to get into tape, now a huge part of its business. It was an outgrowth of the organization McKnight created.

That legacy lives today in a number of mechanisms that foster profitable experimentation:

- **The 15 percent rule.** Technical people can spend up to 15 percent of their time on their own projects.

- **The 30 percent rule.** Each division is expected to generate 30 percent of its annual sales from products and services introduced in the previous four years.

- **Technology sharing awards.** An award for those who share new technologies with other divisions.

- **Genesis grants.** Internal venture capital to develop prototypes and market tests.

Is it any wonder 3M recently topped \$13 billion in sales? ☆

Where to Begin

Five lessons for stimulating evolutionary progress:

1. *Give it a try, and quick!* Do, adjust, act, move.
2. *Accept that mistakes will be made.* Dump flops fast, but remember: You can learn much from failure.
3. *Take small steps.* Small experiments can be seeds that grow into large strategic shifts.
4. *Give people the room they need.* A measure of autonomy and decentralization can lead to the increased quantity and variation of product ideas.
5. *Put mechanisms in place.* Leadership "tone" isn't enough. To ensure a constant stream of innovation, use concrete methods.

Never Rest

Visionary companies don't ask, "How well are we doing?" They ask, "How can we do better tomorrow than we did today?" This question is a habit of mind and action in the best companies. It requires constant self-criticism and investment in the future — for a race with no finish line.

Continuous Improvement

Visionary companies are demanding of themselves. Listen to J. Willard Marriott, Sr.: "Discipline is the greatest thing in the world. Where there is no discipline, there is no character. And without character, there is no progress."

In such companies, continuous improvement, a current buzz phrase, is nothing new. William Procter and James Gamble used the concept in the 1850s, and David Packard used the term as far back as the 1940s.

Continuous improvement isn't a fad at visionary companies; it's institutionalized in ingenious ways. For example, in the 1930s Procter & Gamble already had excellent people, products, and marketing muscle. How could it avoid complacency?

CEO Richard Deupree approved a proposal to create a brand-management structure. This allowed P&G brands to compete as though they were from different companies. If the marketplace can't supply competition, why not create it yourself?

What You Can Do . . .

If you're helping build a company, department, or team, ask:

- What "mechanisms of discontent" can I create?
- How am I investing for the future?
- Do I build for the future even in the midst of downturns?
- Do my people understand that comfort is not the goal — that super results take hard work?

This structure made it impossible for any brand to rest on its laurels.

There are numerous ways to "stimulate discontent" with the status quo; see the box to the right.

Long-Term Investment

Besides seeking continuous improvement, visionary companies invest heavily in the future. The authors' research showed that visionary companies consistently invested more in new property, plant, and equipment as a percentage of sales than all but a few comparison companies. They also paid less in dividends, opting to reinvest the money.

In specific, they spend more on human capital. Merck, 3M, P&G, Motorola, GE, Disney, Marriott, and IBM have all made significant investments in "universities" and education centers. Motorola, for example, requires each division to spend 1.5 percent of its payroll on training.

Visionary companies also spend more (and earlier) to bring in new technologies, management methods, and industry innovations. Merck, for instance, embraced a TQM process back in 1965, and Disney bought new film technologies as competitors dithered about their usefulness.

Pay Now or Pay Later

Citibank has outperformed the Chase Manhattan Bank by investing in the long term. Citibank invested in the following areas before — often long before — the Chase: merit pay, management training programs, college recruiting programs, automated teller machines, credit cards, and foreign branches.

Pinching pennies doesn't help you become a world-beater. Boeing, for example, has always shown a willingness to "reach out to tomorrow," while McDonnell Douglas has worried more about the short-term implications of its investment opportunities. As a result, it has abandoned new-generation jets and ceded the future, for now, to Boeing. ☆

To Improve, Create Discontent

To excel, the best companies often use "discomfort mechanisms" to combat complacency and stay vibrant. Here's how a few visionary companies create discomfort:

Merck consciously yields market share as its products become unprotected commodities. This forces it to innovate.

Motorola has also used an "innovate or die" technique. It has been known to cut off mature product lines that still account for significant sales volume.

Boeing uses a process called "eyes of the enemy." It assigns managers the task of developing strategy as though they worked for a competitor and wanted to wipe Boeing off the map. What weaknesses would they exploit? What markets could they invade? Boeing then figures out how it would respond to each threat.

Nordstrom ranks a person's sales per hour and compares them with peers. Nordstrom expects ever-better performance; there's no ultimate goal.

Hewlett-Packard also ranks employees relative to peers. Managers argue with each other over the rankings of their people until they reach consensus. Thanks to this uncomfortable process, no successful manager can coast.

HP also has a policy against taking out any long-term debt. The pay-as-you-go policy requires powerful boot-strapping innovation and self-discipline. More remarkable, HP expects 20 percent growth year after year.

Wal-Mart uses a "beat yesterday" ledger that compares store sales figures to the exact same day in years past. Standards thus rise year in and year out.

More Than Vision Statements at Ford

These days, companies spend large sums and many hours to come up with vision statements, mission statements, values statements, objective statements, and so on.

These can be useful, but they are not the essence of a visionary firm.

The essence lies in the translation of its core ideology and drive for progress into the fabric of the organization. It can be seen in goals, job design, strategies, tactics, pay systems, cultural practices, building layouts, etc. In short, the essence infuses everything the firm does. It envelops employees with messages so consistent and reinforcing that no one can misunderstand the firm's ideology or ambitions. Each element is aligned with ideology and aims.

Alignment at Ford

Ford, a visionary company that has had its ups and downs, turned

itself around in the early 1980s.

Reeling from red ink, Ford paused in 1983 to redefine itself. Out of the process came Ford's "Mission, Values, and Guiding Principles" (MVGP), a remarkable document that explicitly put people before products and profits. It also emphasized quality, employee involvement, and customer satisfaction.

Ideology and Aims into Reality

Many companies have created such documents and then let them gather dust. Ford, however, dramatically translated the MVGP into reality.

For example, Ford instituted statistical quality control. It forced suppliers to install quality programs of their own. It created employee-involvement programs, participative-management programs, and a satel-

lite TV system to communicate Ford news to employees.

It also negotiated a profit-sharing clause with its union labor, which linked workers directly to the company's success.

World-Class BHAGs

Further, Ford used big, hairy, audacious goals. It formed a group with the mandate to develop a completely new, world-class car. It invested heavily in this goal by providing a \$3.25 billion budget. The result — the Taurus/Sable — is now the best-selling car in the U.S.

In hundreds of ways, big and small, Ford translated its core ideology, as embodied in the MVGP, into daily practice. As a result, all company practices, programs, communications, etc., work together harmoniously within the context of its core ideology and overall goals. ☆

Six Steps to Visionary Alignment

We hope you begin to discover your core ideology and set lofty goals. That's only the beginning; you need to weave them into the firm's fabric.

1. *Paint the whole picture.* One program, strategy, speech, or symbolic gesture isn't enough. Visionary companies employ a variety of signals and actions that continually reinforce the core ideology and stimulate progress. A visionary company is like a great work of art — magnificent in detail, with all elements working together in concert.

2. *Sweat the small stuff.* People don't work in the "big picture." Little things make an impression, like the business cards Nordstrom gives all its sales people. This says, "We want you to be a professional."

3. *Cluster, don't shotgun.* Put mechanisms and processes in place that reinforce each other. Ford, for instance, used statistical quality control *reinforced* by involvement programs *reinforced* by participative management programs *reinforced* by

promotion criteria based on these skills. Clustered practices deliver a powerful punch.

4. *Swim in your own current.* Look to your internal compass for guidance, not the standards, trends, or fads of the outside world. Don't ask, "Is this practice good?" Ask, "Is this practice appropriate for us?"

5. *Obliterate misalignments.* Your workplace may be littered with inappropriate practices that go against your core ideology or impede progress. Don't forget: The only sacred cow is core ideology. Change anything else.

6. *Abide by the universal requirements.* These are your core ideology and a drive for progress, and an organization designed to preserve the core and stimulate progress.

BHAGs, cult-like practices, and evolutionary growth are all ways to preserve the core and stimulate progress. But they aren't the only ways, so be creative. Tomorrow's visionary companies will employ methods not yet thought of. ☆

But I'm Not the CEO!

There's still a lot you can do. For example, you can apply most of the principles in this summary to your work area, however large or small. You can be a clock builder, for example, by thinking about what processes you can use to solve problems rather than jumping to solve them yourself.

And if your organization does not have an ideology, create one.

A manufacturing manager said, "I got tired of waiting for those on top to get their act together, so I just went ahead with my people. We now have a very distinct set of values here in my group, and we manage by them. It gives my people a greater sense of meaning in their work."

You can also use BHAGs at any level or "try a lot of things and see what works." It'll make you more effective and your job a lot more interesting.