

Twelve Shattered Myths

Excerpt from *Built to Last*

Successful Habits of Visionary Companies

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- Myth 1: It takes a great idea to start a great company.
- Reality: Starting a company with a “great idea” might be a bad idea. Few of the visionary companies began life with a great idea. In fact, some began life without *any* specific idea and a few even began with outright failures. Furthermore, regardless of the founding concept, the visionary companies were significantly *less* likely to have early entrepreneurial success than the comparison companies in our study. Like the parable of the tortoise and the hare, visionary companies often get off to a slow start, but win the long race.
- Myth 2: Visionary companies require great and charismatic visionary leaders.
- Reality: A charismatic visionary leader is absolutely *not required* for a visionary company and, in fact, can be detrimental to a company’s long-term prospects. Some of the most significant CEOs in the history of visionary companies did not fit the model of the high-profile, charismatic leader—indeed, some explicitly shied away from that model. Like the founders of the United States at the Constitutional Convention, they concentrated more on architecting an enduring institution than on being a great individual leader. They sought to be clock builders, not time tellers. And they have been more this way than CEOs at the comparison companies.
- Myth 3: The most successful companies exist first and foremost to maximize profits.
- Reality: Contrary to business school doctrine, “maximizing shareholder wealth” or “profit maximization” has not been the dominant driving force or primary objective through the history of the visionary companies. Visionary companies pursue a cluster of objectives, of which making money is only one—and not necessarily the primary one. Yes, they seek profits, but they’re equally guided by a core ideology—core values and sense of purpose beyond just making money. Yet, paradoxically, the visionary companies make more money than the more purely profit-driven comparison companies.
- Myth 4: Visionary companies share a common subset of “correct” core values.

Reality: There is no “right” set of core values for being a visionary company. Indeed, two companies can have radically different ideologies, yet both be visionary. Core values in a visionary company don’t even have to be “enlightened” or “humanistic,” although they often are. The crucial variable is not the content of a company’s ideology, but how deeply it *believes* its ideology and how consistently it lives, breathes, and expresses it in all that it does. Visionary companies do not ask, “What should we value?” They ask, “What do we *actually* value deep down to our toes?”

Myth 5: The only constant is change.

Reality: A visionary company almost religiously preserves its core ideology—changing it seldom, if ever. Core values in a visionary company form a rock-solid foundation and do not drift with the trends and fashions of the day; in some cases, the core values have remained intact for well over one hundred years. And the basic purpose of a visionary company—its reason for being—can serve as a guiding beacon for centuries, like an enduring star on the horizon. Yet, while keeping their core ideologies tightly fixed, visionary companies display a powerful drive for progress that enables them to change and adapt without compromising their cherished core ideals.

Myth 6: Blue-chip companies play it safe.

Reality: Visionary companies may appear straitlaced and conservative to outsiders, but they’re not afraid to make bold commitments to “Big Hairy Audacious Goals” (BHAGs). Like climbing a big mountain or going to the moon, a BHAG may be daunting and perhaps risky, but the adventure, excitement, and challenge of it grabs people in the gut, gets their juices flowing, and creates immense forward momentum. Visionary companies have judiciously used BHAGs to stimulate progress and blast past the comparison companies at crucial points in history.

Myth 7: Visionary companies are great places to work, for everyone.

Reality: Only those who “fit” extremely well with the core ideology and demanding standards of a visionary company will find it a great place to work. If you go to work at a visionary company, you will either fit and flourish—probably couldn’t be happier—or you will likely be expunged like a virus. It’s binary. There’s no middle ground. It’s almost cult-like. Visionary companies are so clear about what they stand for and what they’re trying to achieve that they simply don’t have room for those unwilling or unable to fit their exacting standards.

Myth 8: Highly successful companies make their best moves by brilliant and complex strategic planning.

Reality: Visionary companies make some of their best moves by experimentation, trial and error, opportunism, and—quite literally—accident. What looks in retrospect like brilliant foresight and preplanning was often the result of “Let’s just try a lot of stuff and keep what works.” In this sense, visionary companies mimic the biological evolution of the species. We found the concepts in Charles Darwin’s *Origin of the Species* to be more helpful for replicating the success of certain visionary companies than any textbook on corporate strategic planning.

Myth 9: Companies should hire outside CEOs to stimulate fundamental change.

Reality: In seventeen *hundred* years of combined life spans across the visionary companies, we found only *four* individual incidents of going outside for a CEO—and those in only two companies. Home-grown management rules at the visionary companies to a far greater degree than at the comparison companies (by a factor of six). Time and again, they have dashed to bits the conventional wisdom that significant change and fresh ideas cannot come from insiders.

Myth 10: The most successful companies focus primarily on beating the competition.

Reality: Visionary companies focus primarily on beating themselves. Success and beating competitors comes to the visionary companies not so much as the end goal, but as a residual *result* of relentlessly asking the question “How can we improve ourselves to do better tomorrow than we did today?” And they have asked this question day in and day out—as a disciplined way of life—in some cases for over 150 years. No matter how much they achieve—no matter how far in front of their competitors they pull—they never think they’ve done “good enough.”

Myth 11: You can’t have your cake and eat it too.

Reality: Visionary companies do not brutalize themselves with the “Tyranny of the OR”—the purely rational view that says you can have either A *OR* B, but not both. They reject having to make a choice between stability *OR* progress; cult-like cultures *OR* individual autonomy; home-grown managers *OR* fundamental change; conservative practices *OR* Big Hairy Audacious Goals; making money *OR* living according to values

and purpose. Instead, they embrace the “Genius of the AND”—the paradoxical view that allows them to pursue both A *AND* B at the same time.

Myth 12: Companies become visionary primarily through “vision statements.”

Reality: The visionary companies attained their stature not so much because they made visional pronouncements (although they often did make such pronouncements). Nor did they rise to greatness because they wrote one of the vision, values, purpose, mission, or aspiration statements that have become popular in management today (although they wrote such statements more frequently than the comparison companies and decades before it became fashionable). Creating a statement can be a helpful *step* in building a visionary company, but it is only one of thousands of steps in a never-ending process of expressing the fundamental characteristics we identified across the visionary companies.