

Preserve the Core/Stimulate Progress: The Yin and Yang of Visionary Companies

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This article presents the central underlying dynamic of „preserve the core/stimulate progress“ that enables enduring companies to adapt to and prosper in a changing and difficult world. It is based on a six-year research project (which led to our book *Built to Last*¹), for which we systematically studied the founding, growth, and development of exceptional companies that have stood the test of time, including: Boeing, Disney, General Electric (GE), Hewlett-Packard (HP), Johnson & Johnson, Marriott, Merck, Motorola, Nordstrom, Procter & Gamble, Sony, and 3M. Our „visionary companies“ (as we eventually came to call the 18 companies we studied) had both endurance, with an average age of nearly 100 years, and sustained performance, having outperformed the stock market 15 times since 1926. We also studied each visionary company in contrast to a „comparison company“ that had roughly the same shot in life, but didn’t turn out as well: for example, 3M in contrast to Norton, Procter & Gamble in contrast to Colgate, Motorola in contrast to Zenith, and so on.

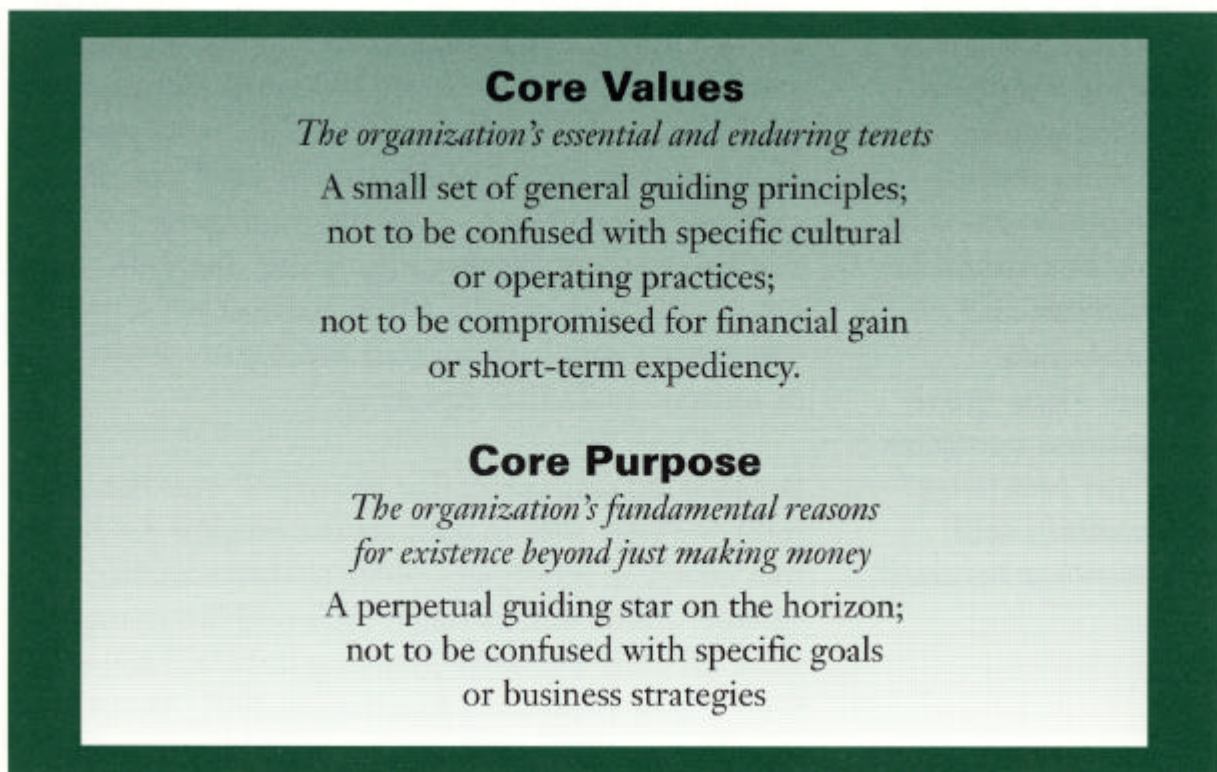
By studying companies that prospered over the long term, we were able to uncover the timeless principles that enable great organizations to thrive amidst change. Think of how much the world has changed since Hewlett-Packard’s founding in 1938, Motorola’s founding in 1928, 3M’s founding in 1902, Merck’s founding in 1892, or Procter & Gamble’s founding in 1837. Far better than any of their industry counterparts, these companies have managed to attain extraordinary success decade after decade, regardless of the changes and difficulties facing them. And they have done so by adhering to the same timeless concepts that today’s leaders can use as reliable anchor points for their change, growth, and transformation strategies in preparation for the challenges of the 21st century.

Core Ideology

Our research shows that one fundamental element of visionary companies is a core ideology – core values and a sense of purpose beyond just making money – that guides and inspires people throughout the organization and remains relatively fixed for long periods of time (Exhibit 1).

Exhibit 1

Core Ideology = Core Values + Core Purpose



Like the fundamental ideals of a great nation, church, school, or any other enduring institution, the core ideology of a visionary company is a set of basic precepts that plant a fixed stake in the ground: „This is who we are; this is what we stand for; this is what we’re all about.“ Like the guiding principles embodied in the American Declaration of Independence („We hold these truths to be self-evident...“) and echoed 87 years later in the Gettysburg Address („a ... nation, conceived in Liberty, and dedicated to the proposition that all men are created equal“), a core ideology is so fundamental to an institution that it seldom changes, if ever.

In some cases, like Sony, the ideology derives from the founding roots. In some cases, like Merck, it comes from the second generation. In other cases, like Ford, the ideology went dormant and was rekindled in later years. But in nearly all cases we found evidence of a core ideology that exists not merely as words but as a vital shaping force. And – this is the key point – visionary companies have had a core ideology to a greater degree than the comparison companies in our study.

Core Values. Core values are the organization’s essential and enduring tenets, not to be compromised for financial gain or short-term expediency. In most cases, a core value can be boiled down to a piercing simplicity that provides substantial guidance. Sam Walton captured the essence of Wal-Mart’s number one value: „[We put] the customer ahead of everything else ... If you’re not serving the customer, or supporting the folks who do, then we don’t need you.“² James Gamble simply and elegantly stated Procter & Gamble’s core value of product quality and honest business: „When you cannot make pure goods of mil weight, go to something else that is honest, even if it is breaking stone.“³ John Young, former HP chief executive, captured the simplicity of the HP Way: „The HP Way basically means respect and concern for the individual; it says ‘Do unto others as you would have them do unto you.’ That’s really what it’s all about.“ A core value can be stated in a number of different ways, yet it remains simple, clear, straightforward, and powerful.

Visionary companies tend to have only a few core values, usually between three and six. In fact, we found that none of the visionary companies have more than six core values, and most have fewer. And, indeed, we should expect this, for only a few values can be truly *core* – values so fundamental that they will seldom, if ever, change or be compromised.

This has important implications for articulating core values in your own organization. If you list more than five or six values, you might not be capturing those that are truly core. If you have a statement of corporate values, or are in the process of creating one, you might ask yourself: Which of these values would we strive to live up to for 100 years regardless of changes in the external environment – even if the environment ceased to reward us for having these values, or perhaps even penalized us? Conversely, which values would we be willing to change or discard if the environment no longer favored them? These questions can help you identify which values are authentically *core*.

Core ideology does not come from mimicking the values of other companies – even highly visionary companies; it does not come from following the dictates of outsiders; it does not come from reading management books; and it does not come from a sterile intellectual exercise of „calculating“ what values would be most pragmatic, popular, or profitable. When articulating and codifying core ideology, the key step is to capture what is authentically believed, not what other companies set as their values or what the outside world think; the ideology „should“ be.

Core Purpose. The core purpose – the second component of a core ideology – is the set of fundamental reasons for a company’s existence beyond just making money. Visionary companies get at core purpose by asking questions similar to that posed by David Packard in 1961: „I want to discuss why a company exists in the first place. In other words, why are we here? I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company’s existence, we have to go deeper and find the real reasons for our being.“ A company’s core purpose need not be wholly unique. It’s entirely possible that two companies could have very similar core purposes, just as it’s entirely possible that two companies can share a rock-solid belief in a value such as integrity. The primary role of a core purpose is to guide and inspire, not necessarily to differentiate. For example, many companies may share HP’s core purpose of making a contribution to society via electronic equipment for the advancement of science and the welfare of humanity. The question is: Do they hold it as deeply and live it as consistently as HP? As with core values, the key is authenticity, not uniqueness.

When properly conceived, a core purpose is broad, fundamental, and enduring; it should serve to guide and inspire the organization for years, perhaps a century or more. P. Roy Vagelos – looking 100 years into the future – described the enduring role of a core purpose at Merck & Company:

...imagine that all of us were suddenly transported to the year 2091. Much [of our strategy and methods] would have been changed by developments we cannot anticipate. But no matter what changes might have occurred in the Company, I know we would find one thing had remained the same – and the thing that matters most: the ... spirit of Merck people.... A century from now, I believe we would feel the same esprit de corps ... I believe this,

above all, because Merck's dedication to fighting disease, relieving suffering, and helping people is a righteous cause – one that inspires people to dream of doing great things. It is a timeless cause, and it will lead Merck people to great achievements during the next hundred years.⁴

Indeed, a visionary company continually pursues but never fully achieves or completes its core purpose – like chasing the earth's horizon or pursuing a guiding star. Walt Disney captured the enduring nature of a core purpose when he said, „Disneyland will never be completed, as long as there is imagination left in the world.“ Boeing can never stop pushing the envelope in aerospace technology; the world will always need a corporate Chuck Yeager. HP can never reach a point where it says, „There are no more contributions we can make.“ GE can never complete the task of improving the quality of life through technology and innovation.

Marriott can evolve – from A&W Root Beer stands, to food chains, to airline catering, to hotels, to who knows what in the 21st century – yet never outgrow the fundamental task of „making people away from home feel that they're among friends and really wanted.“

Motorola can evolve – from battery eliminators for home radios, to car radios, to home television, to semi-conductors, to integrated circuits, to cellular communications, to satellite systems – yet never outgrow its fundamental quest to „honorably serve the community by providing products and services of superior quality at a fair price.“

Disney can evolve – from rinky-dink cartoons, to full-length animated movies, to the Mickey Mouse club, to Disneyland, to box-office hits, to EuroDisney, and beyond – yet never outgrow the core task of „bringing happiness to millions.“

Sony can evolve – from rice cookers and crude heating pads to tape recorders, to transistor radios, to Trinitron color TVs, to VCRs, to the Walkman, to robotics systems – yet never finish pursuing its core purpose of experiencing the sheer joy of applied technological innovation that brings about „untold pleasure and untold benefits... and the elevation of the Japanese] culture.“

In short, a visionary company can (and usually does) evolve into exciting new business areas, yet remain guided by its core purpose.

If you're thinking about a core purpose for your own organization, we encourage you not simply to write a specific description of your product lines or customer segments. („We exist to make X products for Y customers.“) For example, „We exist to make cartoons for kids“ would have been a terrible purpose statement for Disney, neither compelling nor flexible enough to last 100 years. But „to use our imagination to bring happiness to millions“ can easily last that long. The important step is to get at the deeper, more fundamental reasons for the organization's existence. An effective way to get at core purpose is to pose the question, „Why not just shut this organization down, cash out, and sell off the assets?“ and then push for an answer that would be equally valid both now and 100 years into the future.

Authentic and Bone Deep. It's important to understand that core ideology exists as an internal element, largely independent of the external environment. To use an analogy, the founders of the United States didn't instill the core ideology of freedom and equality because the environment dictated it, nor did they expect the country to ever abandon those basic ideals in response to environmental conditions. They envisioned freedom and equality as ideals to be worked toward always to provide guidance and inspiration to all future generations. The same holds true in visionary companies.

In a visionary company, the core ideology needs no rational or external justification. Nor does it sway with the trends and fads of the day. Nor even does it shift in response to changing market conditions.

Robert W Johnson, Jr., didn't write the Johnson & Johnson Credo because of a conceptual theory that linked credos with profits or because he read it in a book somewhere. He wrote the Credo because the company embodied deeply held beliefs that he wanted to preserve. George Merck II deeply believed that medicine was for the patient, and he wanted every Merck person to share that belief. Thomas J. Watson, Jr., described IBM's core values as „bone deep“ in his father: „As far as he was concerned, those values were the rules of life – to be preserved at all costs, to be commended to others, and to be followed conscientiously in one's business life.“⁵

Bill Hewlett and David Packard didn't „plan“ the HP Way or HP's „WHY of business.“ They simply held deep convictions about the way a business should be built and took tangible steps to articulate and disseminate these convictions so they could be preserved and acted upon. And they held these beliefs independent of the management fashions of the day. In sifting through the Hewlett-Packard company archives, we came across the following statement made by David Packard:

[In 1949], I attended a meeting of business leaders. I suggested at the meeting that management people had a responsibility beyond that of making a profit for their stockholders. I said that we ... had a responsibility to our employees to recognize their dignity as human beings, and to assure that they should share in the success which

their work made possible. I pointed out, also, that we had a responsibility to our customers, and to the community at large, as well. I was surprised and shocked that not a single person at that meeting agreed with me. While they were reasonably polite in their disagreement, it was quite evident they firmly believed I was not one of them, and obviously not qualified to manage an important enterprise.⁶

Hewlett, Packard, Merck, Johnson, and Watson didn't sit down and ask, „What business values would maximize our wealth?“ or, „What philosophy would look nice printed on glossy paper?“ or, „What beliefs would please the financial community?“ No! They articulated what was inside them – what was in their gut, what was bone deep. It was as natural to them as breathing. It's not what they believed as much as how deeply they believed it (and how consistently their organizations lived it). Again, the key word is authenticity. No artificial flavors. No added sweeteners. Just 100 percent genuine authenticity.

Preserve the Core and Stimulate Progress

Core ideology alone, as important as it is, does not – indeed cannot – make a visionary company. A company can have the world's most deeply cherished and meaningful core ideology, but if it just sits still or refuses to change, the world will pass it by. 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.“⁷ Similarly, Thomas J. Watson, Jr., embedded a huge caveat in his booklet *A Business and Its Beliefs*:

If an organization is to meet the challenges of a changing world, [it must be prepared to change everything about itself except [its basic] beliefs as it moves through corporate life... The only sacred cow in an organization should be its basic philosophy of doing business. [Emphasis ours].

We believe IBM began to lose its stature as a visionary company in the late 1980s and early 1990s in part because it lost sight of Watson's incisive caveat. IBM's „three basic beliefs“ are: give full consideration to the individual employee, spend a lot of time making customers happy, and go the last mile to do things right. Nowhere in these three basic beliefs do we see anything about white shirts, blue suits, specific policies, specific procedures, organizational hierarchies, mainframe computers – or computers at all, for that matter. Blue suits and white shirts are not core values.

Mainframe computers are not core values. Specific policies, procedures, and practices are not core values. IBM should have much more vigorously changed everything about itself except its core values. Instead, it stuck too long to strategic and operating practices and cultural manifestations of the core values.

We've found that companies get into trouble by confusing core ideology and specific, noncore practices. By confusing core ideology and noncore practices, companies can cling too long to noncore items – things that should be changed in order for the company to adapt and move forward. This brings us to a crucial point: a visionary company carefully preserves and protects its core ideology, yet all the specific manifestations of its core ideology must be open to change and evolution. For example:

- HP's „Respect and concern for individual employees“ is a permanent, unchanging part of its core ideology; serving fruit and doughnuts to all employees at 10 a.m. each day is a noncore practice that can change.
- Wal-Mart's „Exceed customer expectations“ is a permanent, unchanging part of its core ideology; customer greeters at the front door is a noncore practice that can change.
- Boeing's „Being on the leading edge of aviation; being pioneers“ is a permanent, unchanging part of its core ideology; commitment to building jumbo jets is part of a noncore strategy that can change.
- 3M's „Respect for individual initiative“ is a permanent, unchanging part of its core ideology; the 15 percent rule (whereby employees can spend 15 percent of their time on projects of their choosing) is a noncore practice that can change.
- Nordstrom's „Service to the customer above all else“ is a permanent, unchanging part of its core ideology; regional geographic focus, piano players in the lobby, and overstocked inventory management are noncore practices that can change.
- Merck's „We are in the business of preserving and improving human life“ is a permanent, unchanging part of its core ideology; its commitment to research targeted at specific diseases is part of a noncore strategy that can change.

It is absolutely essential not to confuse core ideology with culture, strategy, tactics, operations, policies, or other noncore practices! Over time, cultural norms must change; strategy must change; product lines must change; goals must change; competencies must change; administrative policies must change; organizational structure must change; reward systems must change. Ultimately, the only thing a company should not change over time is its core ideology – that is, if it wants to be a visionary company. This brings us to a central concept of our book: the underlying dynamic of „preserve the core/ stimulate progress“ that's the essence of a visionary company.

The core ideology of a visionary company works hand in hand with a relentless drive for progress that impels change and forward movement in all that is not part of the core ideology. The drive for progress arises from a deep human urge – to explore, to create, to discover, to achieve, to change, to improve. The drive for progress is not a sterile, intellectual recognition that „progress is healthy in a changing world“ or that „healthy organizations should change and improve“ or that „we should have goals.“ Rather, it’s a deep, inner, compulsive – almost primal – drive.

It is the type of drive that led Sam Walton to spend time during the last precious few days of his life discussing sales figures for the week with a local store manager who dropped by his hospital room – a drive shared by J. Willard Marriott, who lived by the motto: „Keep on being constructive, and doing constructive things, until it’s time to die ... make every day count, to the very end.“

It is the drive that motivated Citicorp to set the goal to become the most pervasive financial institution in the world when it was still small enough that such a fearless goal seemed ludicrous, if not foolhardy. It is the type of drive that led Walt Disney to bet its reputation on Disneyland with no market data to indicate demand for such a wild dream. It is the type of drive that impelled Ford to stake its future on the audacious goal „to democratize the automobile“ and thereby leave an indelible imprint on the world.

It is the drive for progress that pushed 3M to continually experiment and solve problems that other companies had not yet even recognized as problems, resulting in such pervasive innovations as waterproof sandpaper, Scotch tape, and Post-it notes. It compelled Procter & Gamble to adopt profit-sharing and stock ownership programs in the 1880s, long before such steps became fashionable, and urged Sony to prove it possible to commercialize transistor-based products in the early 1950s, when no other companies had done so. It is the drive that led Boeing to undertake some of the boldest gambles in business history, including the decision to build the B-747 in spite of highly uncertain market demand – a drive articulated by William E. Boeing, during the early days of the company, who said, „It behooves no one to dismiss any novel idea with the statement that it ‘can’t be done.’ Our job is to keep everlastingly at research and experiment, to adapt our laboratories to production as soon as practicable, to let no new improvement in flying and flying equipment pass us by.“

Indeed, the drive for progress is never satisfied with the status quo, even when the status quo is working well. Like a persistent and incurable itch, the drive for progress in a highly visionary company can never be satisfied under any conditions, even if the company succeeds enormously.

Like core ideology, the drive for progress is an internal force. The drive for progress doesn’t wait for the external world to say, „It’s time to change“ or „It’s time to improve“ or „It’s time to invent something new.“ No, like the drive inside a great artist or prolific inventor, it is simply *there*, pushing outward and onward. You don’t create Disneyland, build the 747, pursue six-sigma quality, invent 3M Post-it notes, institute employee stock ownership in the 1880s, or meet with a store manager on your deathbed because the outside environment demands it. These things arise out of an inner urge for progress. In a visionary company, the drive to go further, to do better, to create new possibilities needs no external justification.

Through the drive for progress, a highly visionary company displays a powerful mix of self-confidence and self-criticism. Self-confidence allows a visionary company to set audacious goals and make bold and daring moves, sometimes flying in the face of conventional industry wisdom or strategic prudence; it simply never occurs to a highly visionary company that it can’t beat the odds, achieve great things, and become something truly extraordinary. Self-criticism, on the other hand, pushes for self-induced change and improvement before the outside world imposes the need for it; a visionary company thereby becomes its own harshest critic. As such, the drive for progress pushes from within for continual change and forward movement in everything that is not part of the core ideology.

Notice the ruthless, self-imposed discipline captured in Bruce Nordstrom’s response to the praise the company had attained for its customer service standards: „We don’t want to talk about our service. We’re not as good as our reputation. It is a very fragile thing. *You* just have to do it every time, every day.“⁸ Notice the inner drive described by a Hewlett-Packard marketing manager who never let his people rest on their laurels. He said, „We’re proud of our successes, and we celebrate them. But the real excitement comes in figuring out how we can do even better in the future. It’s a never-ending process of seeing how far we can go. There’s no ultimate finish line where we can say ‘we’ve arrived.’ I never want us to be satisfied with our success, for that’s when we’ll begin to decline.“

Yin and Yang – the „Genius of the And“

Core ideology and the drive for progress exist together in a visionary company like the yin and yang of Chinese dualistic philosophy; each element enables, complements, and reinforces the other.

Preserving the core ideology enables progress by providing a base of continuity around which a visionary company can evolve, experiment, and change. By being clear about what is core (and therefore relatively fixed),

a company can more easily seek variation and movement in all that is not core.

Stimulating progress enables the core ideology, for without continual change and forward movement, the company – the carrier of the core – will fall behind in an ever-changing world and cease to be strong, or perhaps even to exist.

Indeed, if we had to distill our six-year research project into one key concept that conveys the most information about what it takes to build a visionary company that can adapt to a changing world, we would adapt the yin/yang symbol (Exhibit 2). We selected the yin/yang symbol to represent a key aspect of highly visionary companies: they do not oppress themselves with what we call the „Tyranny of the Or“ – the rational view that cannot easily accept paradox, that cannot live with two seemingly contradictory forces or ideas at the same time. The „Tyranny of the Or“ pushes people to believe that things must be either A or B, but not both. It makes such proclamations as:

- „You can have change *or* stability.“
- „You can be conservative *or* bold.“
- „You can have low cost *or* high quality.“
- „You can have creative autonomy *or* consistency and control.“
- „You can invest for the future *or* do well in the short-term.“
- „You can make progress by methodical planning *or* by opportunistic groping.“
- „You can create wealth for your shareholders *or* do good for the world.“
- „You can be idealistic (values-driven) *or* pragmatic (profit driven).“

Exhibit 2

The Visionary Company as Yin and Yang



Instead of being oppressed by the „Tyranny of die Or,“ highly visionary companies liberate themselves with the „Genius of the And“ – the ability to embrace both extremes of a number of dimensions at the same time. Instead of choosing between A or B, they figure out a way to have both A *and* B.

In our research, we encountered a series of paradoxes – in many of the visionary companies:

- Purpose beyond profit *and* pragmatic pursuit of profit
- A relatively fixed core ideology *and* vigorous change and movement
- Conservatism around the core *and* bold, committing, risky moves
- Clear vision and sense of direction *and* opportunistic groping and experimentation
- Selection of managers steeped in the core *and* selection of managers that induce change
- Ideological control *and* operational autonomy
- Extremely tight culture (almost cult-like) *and* ability to change, move, and adapt
- Investment for the long-term *and* demand for short-term performance
- Philosophical, visionary, futuristic, *and* superb daily execution, „nuts and bolts“
- Organization aligned with a core ideology *and* organization adapted to its environment

We’re not talking about mere „balance“ here. „Balance“ implies going to the midpoint, 50/50, half and half.

A visionary company doesn’t simply „balance“ between preserving a tightly held core ideology and stimulating vigorous change and movement; it does both to an extreme. In short, a highly visionary company doesn’t want to blend yin and yang into a gray, indistinguishable circle that is neither highly yin nor highly yang; it aims to be distinctly yin and distinctly yang – both at the same time, all the time.

Irrational? Perhaps. Rare? *Yes*. Difficult? Absolutely. But as F. Scott Fitzgerald pointed out, „The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function.“ This is exactly what the visionary companies are able to do.

¹ James C. Collins and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies*, Harper Business, 1994.

² Sam Walton with John Huey, *Sam Walton: Made in America*, Doubleday, 1992, pp. 183 and 233.

³ „Memorable Years in P&G History,“ *company publication*, p. 7.

⁴ Values and Visions: A Merck Century, *Merck & Company*, 1993, p. 173.

⁵ Thomas J. Watson, Jr., *A Business and Its Beliefs*, Columbia University Press, 1963, pp. 12-13.

⁶ David Packard, *Commencement Speech*, Colorado College, June 1, 1964, courtesy Hewlett-Packard Company Archives.

⁷ Sam Walton with John Huey, *Sam Walton: Made in America*, Doubleday, 1992, p. 249.

⁸ „Nordstrom Gets the Cold,“ *Stores*, January 1990.

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