



BY SAM CASSIDY

ILLUSTRATION BY
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BUILT TO LAST

DID YOU EVER WONDER HOW SOME COMPANIES seem to outperform the competition almost regardless of the business climate? New products come and go, interest rates rise and fall. Politics, wars, pestilence and business cycles present challenge after challenge. Through it all, a handful of companies seem to always land on their feet. Why? How do they do it?

Two Stanford business-school professors decided to answer that question in the book “Built to Last — Successful Habits of Visionary Companies.” First published in 1994, the book, through several new editions, has become a classic exposition of the differences between companies that are merely good and those that have established long-standing reputations for excellence.

Next month, Bill Daniels will be honored posthumously with the second Community Star Award given through the 10-year-old Colorado Ethics in Business Awards. Daniels, who died March 7, 2000, endowed the business school at the University of Denver to incorporate the values demonstrated by “Built to Last” companies in the core of the school’s curriculum. The awards, founded by the Daniels College of Business at DU, *ColoradoBiz* and the Samaritan Institute, offer annual tribute to Col-

BOOK OFFERS

EXAMPLES OF

VISIONARY

COMPANIES



orado models of the kind of leadership Daniels hoped to foster in the business community.

Authors James C. Collins and Jerry I. Porras cast their study of best-performing companies in the language of company values. Their methodology was simple. Using leading CEOs to judge their peers, they established criteria for selection of their “visionary companies,” then chose a comparison company in the same industry that was not as admired or as successful as the visionary company. 3M, for example, was chosen one of the 18 visionary companies, then compared with Norton Corp., a major Northeast manufacturer. American Express was compared with Wells Fargo, Boeing with McDonnell Douglas, General Electric with Westinghouse and Hewlett-Packard with Texas Instruments.

The visionary companies exhibited extraordinary long-term performance for their investors. If you had invested \$1 in the visionaries in 1926, your \$1 would have grown to \$6,356 in 1990. The same \$1 invested in the comparison companies yielded much less, \$955 in the same period. And the visionary companies looked even better compared with the general market. There your \$1 investment would have reaped just \$415 over the same 64 years.

But visionary companies have done far more than achieve handsome returns for their investors. They have changed the world in which we live.

The comparison companies were hardly dogs, as you can see. They significantly outperformed the market and are well-known. Collins and Porras found, however, that it did not take a great idea to start a successful company, and it did not take a great charismatic leader to sustain one. It may seem odd but the most economically successful companies were less focused on making a profit as their primary objective. Contrary to advice of the Milton Friedmans and Al Dunlaps (and many respected business schools), these companies, instead of focusing on profits and competition, developed core visions that undertook the task of improving their world. Profits were the result of the effort, not the primary objective.

Another striking distinction between the visionary companies and their comparison companies was the development of a “core ideology” and an “envisioned future.” According to the authors, this critical “core ideology” expresses both “what we stand for” and “why we exist.” It is not composed or wordsmithed, but is discovered by looking inside the company to find what is already there.

Core ideology is composed of two elements: core values and core purpose. Core values are the company’s essential and enduring tenets, timeless guiding principles. These are values that the company would not violate even if to follow those values might create a competitive disadvantage. For Disney, these core values are “imagination and wholesomeness.” For Hewlett-Packard, it is “respect for the individual.” For Boeing, it is “being on the leading edge of technology.” These companies live these values and refuse to compromise them even when market pressures dictate otherwise.

“Core purpose” is the organization’s reason for being. It reflects the importance attached to the work done. It is a guiding star on the horizon, always pursued but never achieved. Disney’s core purpose is

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HONOREE
COMMUNITY
STAR
BILL DANIELS
CABLE TV
PIONEER

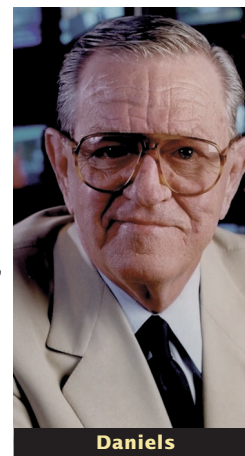
The Colorado Ethics in Business Awards this year offers its Community Star designation for just the second time since the award was established in 1998, honoring the late Bill Daniels as an “outstanding community champion of ethics.”

The cable television magnate supported the awards group for many years, acting as its first keynote speaker in 1991 and then working to get big names to speak at the group’s banquet each year.

Daniels entered the cable industry in 1952, the year he returned from the Korean War and first saw a television. He pumped a Denver station into 500 homes in Casper, Wyo., and from there started to build a cable television empire. In 1955, he cobbled together more than \$300,000 to start a cable brokerage business in Denver, which was named Daniels and Associates in 1958. He bought out his partners in 1964, and sold his cable systems a year later for more than \$100 million. He was Denver’s Humanitarian of the Year in 1973, ran for governor of Colorado in 1974, and started owning professional sports teams and promoting sports in the 1970s. That led him to sports programming. He started Prime Ticket Network in 1985, became its majority owner in 1988, then launched Prime Network, which he sold in 1994 — sharing the enormous profits with the employees.

Daniels also established the Young Americans Bank, a nonprofit that teaches youngsters about business and finance, in 1987. In 1989, he gave the University of Denver an \$11 million grant to upgrade the business curriculum, stipulating that the school’s MBA program must improve and add business ethics to its core curriculum. DU’s Daniels College of Business was named in his honor in 1994. Over the years, he gave his \$7 million home to the city of Denver, more than \$22 million to the University of Denver, and \$4 million for the University of Northern Colorado.

Daniels died in March 2000 at the age of 79, with almost all of his estate going to the Daniels Fund, which will continue to support education in Colorado and three neighboring states. The fund’s value is estimated at \$1.3 billion.



Daniels



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simply “to make people happy.” Merck’s core purpose is “to preserve and improve human life.” This core purpose binds employees together and energizes their talents, creating powerful team efforts. Generating stock dividends often doesn’t inspire the research chemist and the assembly line worker, but a core purpose like “to preserve and improve human life” is a strong motivator.

The other part of core ideology is the “envisioned future.” Set big, hairy, audacious goals, the authors say, goals with specific benchmarks to be achieved 10 to 30 years down the road. They point to John Kennedy’s proclamation on May 25, 1961, “that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth.” That very kind of statement unifies, energizes, and focuses team effort over a long period, they say.

With such advice, “Built to Last” not only identifies the distinguishing qualities of what Collins and Porras call a visionary company, it also provides a roadmap for developing those qualities in your own firm. Most importantly, the authors demonstrate how to align the organization with the core ideology. Visions that sit on the shelf have little value. Visions that are shared by all employees and applied uniformly are powerful and clearly set visionary companies apart from the competition.

“Built to Last” is a thoughtful investigation in proven best practices for business. I recommend it to CEO’s and managers interested in building organizations with purpose and durability that will galvanize employees and provide benefit and direction to a world in need of leadership and inspiration.

Sam Cassidy is a former president and CEO of the Colorado Association of Commerce and Industry. He has also been a state senator and lieutenant governor of Colorado. He now teaches ethics at the University of Denver’s Daniels College of Business.

HONOREE

DANIEL L. RITCHIE AWARD

KEVIN McNICHOLAS

OWNER, K-M CONCESSIONS AND SERVICE SYSTEMS ASSOCIATES

The people who nominated Kevin McNicholas spoke of him in terms that personify the Ritchie Award.

One said McNicholas is supporting “no less than six” inner-city students in their education, and that he hires the “homeless and destitute” then supports them for three months — including rent, food and clothing. Another nominator said McNicholas paid a terminally ill worker’s salary in full for three years.

The Rev. Walter Sidney, the president of Regis Jesuit High School — where McNicholas was chairman of the board of trustees for six years until 1998 — credited him with numerous donations of time, money and effort. James C. Lewien, president of Commerce Bank, praised McNicholas’ “integrity, commitment to principle, honesty and caring for people in all stations of life.”

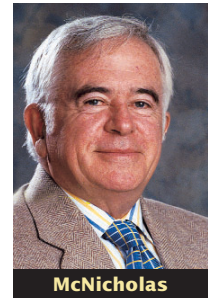
“Kevin’s word is truly his bond,” Lewien said. “You can bank on it.”

The Ritchie Award is given to those who demonstrate character and ethics through caring for, respecting and working with others, without prejudice. Personal values and the extent of the person’s influence also are key criteria.

K-M Concessions and SSA provide visitor services — from operating gift shops and rides, to concessions, full-service catering and janitorial services — at the Denver Zoo and Ocean Journey and at 13 other facilities in 11 cities, including Los Angeles, San Francisco and Detroit. K-M runs the Denver business, SSA runs the operations in other cities.

McNicholas is known for his loyalty and honesty. Almost all of his 74 management-level employees started at the bottom, just as he did — as a Bears’ Stadium vendor in 1954. Many of his entry-level employees now are second-generation, following in their parents’ footsteps as they enter the workforce. With so many young employees working as vendors, etc. — the two companies have more than 2,000 employees at the peak of the summer season — McNicholas provides an introduction for many young people to the business world.

“I think that ethics in business is extremely important,” he said, “especially as it relates to young people coming into the business world. They have to know that there is an ethical standard, and the end doesn’t always justify the means. I’m a big supporter of getting young people ... into the mind-set of ethics and a sense of right and wrong.”



McNicholas

HONOREE

BUSINESS ETHICS AWARD

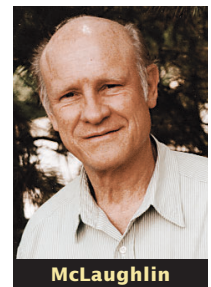
McLAUGHLIN WATER ENGINEERS

Zach Margolis, plant operations manager at the Blue River Wastewater Treatment Facility in Silverthorne, says McLaughlin Water Engineers Ltd. spends government money as if it were theirs.

“They’re very careful,” said Margolis, who works at a plant designed just about 30 years ago by Ron McLaughlin, founding principal in the engineering company. Margolis said he wasn’t surprised that McLaughlin won a 2001 Ethics in Business Award, but that he was pleased because McLaughlin “has always looked at what is the most efficient way they can accomplish the goal,” rather than the firm’s own pocketbook in designing an engineering solution.

The Blue River plant, Margolis said, was designed by Ron McLaughlin in 1970, but in a way that anticipated its expansion as Silverthorne continued to grow, and the designs have kept pace with the community’s explosive growth.

That’s why McLaughlin Water Engineers enjoys a reputation throughout the state for helping small towns solve waste and water problems at the lowest possible cost.



McLaughlin

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ETHICS

AWARDS

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DREAM TEAM
TECHNOLOGIES

“Our vision is as important as making money,” said Whitney Dezelzsky, chief

visionary officer of Dream Team Technologies in Denver.

Dream Team is a software company started by former educators who hope to bring educational institutions, small businesses and nonprofit organizations to the Internet without busting their budgets.

“Four years ago, when we started, we went to the Ethics in Business Awards



Dream Team founders (L to R) Jon Dezelzsky, Whitney Dezelzsky and Arthur Brock

luncheon, and we said if we could only get nominated for one of these it would fulfill our vision,” Dezelzsky said. “I cried the day we won it. Around here, it’s a big deal.”

Dream Team was one of 10 finalists for the 2001 Ethics in Business award. The company, during 2000,

revamped its product offering early in the year and began selling its Web site creation-and-maintenance software suite in June, yet it still projects revenues of \$1.5 million for the year, as well as a “small profit.” It also was close to negotiating a \$2 million round of private financing at the end of the year.

Dezelzsky said venture capital firms are impressed by the list of active clients Dream Team can present, as well as the company’s history of making a profit.

But Dream Team’s financial performance is not what won it the business ethics award.

The company’s whole business philosophy is centered on its 22 employees, each of whom has been offered the chance to name two nonprofit organizations for which the firm will create and maintain Web sites for free. It also operates under an “all team” management model that requires all employees to participate in major company decisions, including hiring, firing and demotions.

William Bennett ON BUSINESS ETHICS

Former U.S. Education Secretary William J. Bennett didn’t know Bill Daniels but he subscribes to the notion — one that Daniels made a first principle of doing business — that a handshake means a deal is done.

“We do a lot of business with a handshake in America,” Bennett told *ColoradoBiz*. “It’s understood that that handshake means you are bound and committed.”

Bennett will be the keynote speaker at the 10th annual Colorado Ethics in Business Awards luncheon, March 28 at noon at the Colorado Convention Center.



The late Daniels, who was the luncheon’s first keynote speaker, will be honored posthumously with a Community Star Award. He died March 7, 2000, after a successful career in the cable television industry, years of philanthropy in education and for other causes, and a lifetime of promoting the idea that ethics should underlie all business.

Bennett agrees. The value of an ethical basis for business has been proved in America, he said, by the nation’s greatest business leaders. “Look at the profiles of the great leaders,” he said. “You will find, even though they range from the gentle to the tough, there is a

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consistency in the profiles. These are people of high integrity. There's a very important word in America, a very important phrase. They're word is their bond. ... A person giving his word that way is worth a huge amount in the business world."

Last month, Bennett announced that he, too, would be joining the business world, leading an online, privately-funded school for students from kindergarten through high school. His new role has already brought up his own ethical considerations.

"For me," he said, "the representation of what it is we're about has a deep and strong ethical component."

"I've said to people, I'm the principal of this school, and I'm going to read the lessons before I send them out to anybody else."

"The people who came to see me to set up this company said, 'You know you have a reputation in education, and we think that if you're leading this company, people will be interested because they've read your books and so on.'

"Well, fair enough. That may make sense as a marketing and presentational argument, but it puts a big burden on me. And the burden is if people are going to trust my word about a product, I gotta be darn sure that the product I deliver is a good one. So there you go."

By Robert Schwab

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Ron McLaughlin has been doing that for almost 40 years, first with Wright Water Engineers, then with Wright-McLaughlin Water Engineers and finally with his own, independent company since 1983. Wright Water Engineers is another Colorado Ethics in Business award winner (1996), and that company went on to win a national ethics in business award.

McLaughlin now has about 60 employees and offices in Denver and Aspen. 