

Great by Choice
Jim Collins & Morten T. Hansen

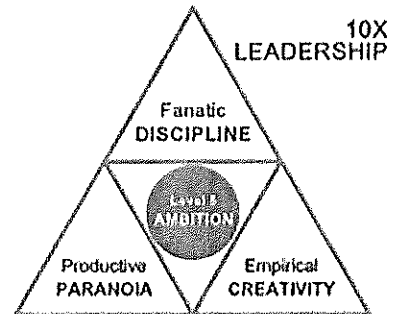
Question: Why do some companies thrive in uncertainty, even chaos, and others do not?

Method: Comparative historical analysis (1972 – 2002)

Factors: Performance & Environment

10X cases: Each case beat its industry index by at least 10 times.

What did the great companies share in common that *distinguished* them from their direct comparisons?



Fanatic discipline – Consistency of action; reject pressures to conform in ways incompatible with values, performance standards, and long-term aspirations.

Empirical creativity – Use direct observation, practical experiments, and evidence as the foundation for decisive action.

Productive Paranoia – Maintain hypervigilance in good times or bad; You never know what danger or threat is around the corner; How do you take *effective action* as a result?; Always asking "What if?"

Level 5 Ambition – Leaders who channel their efforts into something bigger than themselves; Their ambition is for the success of the company/work, not just personal ambition.

20 Mile March (Fanatic Discipline)

- Performance markers
- Self-imposed constraints
- Tailored to the enterprise and its environment
- Lies largely within your control to achieve
- Goldilocks time frame
- Designed and self-imposed by the enterprise
- Achieved with great consistency



"We are ultimately responsible for improving performance. We never blame circumstance; we never blame the environment" (p. 55)

Fire Bullets, Then Cannonballs (Empirical Creativity)

A bullet is an empirical test aimed at *learning what works* and that meets three criteria:

1. Low cost (relative to the size of the company)
2. Low risk (minimal consequences if the bullet goes awry)
3. Low distraction (for the overall enterprise; might be very high distraction for a few individuals)

10Xer companies innovated less than expected; "They were innovative *enough* to be successful but generally *not the most innovative*" (p. 74-75).

"More important than being first or the most creative is figuring out *what works in practice*, doing it better than anyone else, and then making the very most of it with a 20 Mile March" (p. 88).

Leading above the Death Line (Productive Paranoia)

"10Xers remain productively paranoid in good times, recognizing that it's what they do *before* the storm comes that matters most" (p. 105).

- Build cash reserves and buffers to prepare for unexpected events and bad luck *before* they happen
- Bound *risk* and manage time-based risk
- Zoom out, then zoom in, remaining hypervigilant to sense changing conditions and respond effectively

"The only mistakes you can learn from are the ones you survive" (p. 102).

"They think first, even when they need to think fast" (p. 116).

SMaC – Specific, Methodical, and Consistent

- Durable operating practices
- Replicable and consistent success formula
- Clear and concrete
- Known to the entire enterprise
- Unifies and organizes the efforts giving clear guidance regarding what to do and what not to do
- Reflects empirical validation

Example: Howard Putnam's 10 points at Southwest Airlines

"Is our recipe no longer working because we've lost discipline? Or is it no longer working because our circumstances have fundamentally changed?" (p. 136).

Return on Luck

It is really how you respond to luck – good or bad – that makes an impact.

"10Xers use difficulty as a catalyst to deepen purpose, recommit to values, increase discipline, respond with creativity, and heighten productive paranoia. Resilience, not luck, is the signature of greatness" (p. 169).

"Who Luck' – the luck of finding the right mentor, partner, teammate, leader, friend – is one of the most important types of luck. The best way to find a strong current of good luck is to swim with great people, and to build deep and enduring relationships with people for whom you' risk your life and who'd risk their lives for you" (p. 179).

Questions to Consider

What can a 20 Mile March look like at your school/conference?

How are you firing bullets before cannonballs? What empirical data to you use to make decisions?

How are you preparing for potential threats or dangers? How do you plan for unexpected events?

Do you have a SMaC recipe? What does that include? Does everyone in your organization know what your recipe is?

"In the past, I think we've suffered from five-year plans that represent a scenario of, 'Gee, this is what the world would look like if everything were wonderful" (p. 63). How does your five-year plan compare to this statement?

Does your school/conference purposefully channel energy into creating action plans in order to deal with those unpredictable situations that will undoubtedly come your way?