Great By Choice

Question: *What do you do when Jim Collins writes a book?*

Answer: *You read it. Right away.*

Jim Collins, in partnership with Morten Hansen, has added another contribution to his ever-expanding, always valuable line-up of books that address what makes companies great over the long haul. Based on extensive research and filled with compelling stories, ***Great By Choice*** drills down on why some businesses thrive in uncertainty and chaos, while others do not.

Check out these Book Notes for a taste of the leadership insights found in this destined-to-be-a-classic book. You won't be disappointed.

Title: *Great By Choice: Uncertainty, Chaos, and Luck—Why Some Thrive Despite Them All*

Author: Jim Collins, Morten Hansen

Copyright Date: 2011

Book Description:

Ten years after the worldwide bestseller *Good to Great*, Jim Collins returns with another groundbreaking work, this time to ask: why do some companies thrive in uncertainty, even chaos, and others do not? Based on nine years of research, buttressed by rigorous analysis and infused with engaging stories, Collins and his colleague Morten Hansen enumerate the principles for building a truly great enterprise in unpredictable, tumultuous and fast-moving times. This book is classic Collins: contrarian, data-driven and uplifting.

Book Quotes:

We cannot predict the future. But we can create it. LOCATION: 39

None of us can predict with certainty the twists and turns our lives will take. Life is uncertain, the future unknown. This is neither good nor bad. It just is, like gravity. Yet the task remains: how to master our own fate, even so. LOCATION: 42

All of this led us to a simple question: Why do some companies thrive in uncertainty, even chaos, and others do not? When buffeted by tumultuous events, when hit by big, fast-moving forces that we can neither predict nor control, what distinguishes those who perform exceptionally well from those who underperform or worse? LOCATION: 47

Yet some companies and leaders navigate this type of world exceptionally well. They don't merely react; they create. They don't merely survive; they prevail. They don't merely succeed; they thrive. They build great enterprises that can endure. We do not believe that chaos, uncertainty, and instability are good; companies, leaders, organizations, and societies do not thrive on chaos. But they can thrive in chaos. LOCATION: 55

[Compiler's note: Throughout the book, the authors use the word "10Xer" to refer to companies that despite turbulent conditions sustains spectacular results relative to the stock market and its respective industry, beating them by at least 10 times].

Studying leaders in an extreme environment is like conducting a behavioral-science experiment or using a laboratory centrifuge: throw leaders into an extreme environment, and it will separate the stark differences between greatness and mediocrity. Our study looks at how the truly great differed from the merely good in environments that exposed and amplified those differences. LOCATION: 92

Entrenched myth: Successful leaders in a turbulent world are bold, risk-seeking visionaries. Contrary finding: The best leaders we studied did not have a visionary ability to predict the future. They observed what worked, figured out why it worked, and built upon proven foundations. They were not more risk taking, more bold, more visionary, and more creative than the comparisons. They were more disciplined, more empirical, and more paranoid. LOCATION: 150

Entrenched myth: Innovation distinguishes 10X companies in a fast-moving, uncertain, and chaotic world. Contrary finding: To our surprise, no. Yes, the 10X cases innovated, a lot. But the evidence does not support the premise that 10X companies will necessarily be more innovative than their less successful comparisons; and in some surprise cases, the 10X cases were less innovative. Innovation by itself turns out not to be the trump card we expected; more important is the ability to scale innovation, to blend creativity with discipline. LOCATION: 154

Entrenched myth: A threat-filled world favors the speedy; you're either the quick or the dead. Contrary finding: The idea that leading in a "fast world" always requires "fast decisions" and "fast action"—and that we should embrace an overall ethos of "Fast! Fast! Fast!"—is a good way to get killed. 10X leaders figure out when to go fast, and when not to. LOCATION: 159

Entrenched myth: Radical change on the outside requires radical change on the inside. Contrary finding: The 10X cases changed less in reaction to their changing world than the comparison cases. Just because your environment is rocked by dramatic change does not mean that you should inflict radical change upon yourself. LOCATION: 163

Entrenched myth: Great enterprises with 10X success have a lot more good luck. Contrary finding: The 10X companies did not generally have more luck than the comparisons. Both sets had luck—lots of luck, both good and bad—in comparable amounts. The critical question is not whether you'll have luck, but what you do with the luck that you get. LOCATION: 166

As the influential management thinker Peter Drucker taught, the best—perhaps even the only—way to predict the future is to create it. LOCATION: 199

In October 1911, two teams of adventurers made their final preparations in their quest to be the first people in modern history to reach the South Pole. For one team, it would be a race to victory and a safe return home. For members of the second team, it would be a devastating defeat, reaching the Pole only to find the wind-whipped flags of their rivals planted 34 days earlier, followed by a race for their lives—a race that they lost in the end, as the advancing winter swallowed them up. All five members of the second Pole team perished, staggering from exhaustion, suffering the dead-black pain of frostbite and then freezing to death as some wrote their final journal entries and notes to loved ones back home. LOCATION: 206

It's a near-perfect matched pair. Here we have two expedition leaders—Roald Amundsen, the winner, and Robert Falcon Scott, the loser—of similar ages (39 and 43) and with comparable experience. LOCATION: 211

Amundsen's philosophy: You don't wait until you're in an unexpected storm to discover that you need more strength and endurance. You don't wait until you're shipwrecked to determine if you can eat raw dolphin. You don't wait until you're on the Antarctic journey to become a superb skier and dog handler. You prepare with intensity, all the time, so that when conditions turn against you, you can draw from a deep reservoir of strength. And equally, you prepare so that when conditions turn in your favor, you can strike hard. LOCATION: 235

Amundsen and Scott achieved dramatically different outcomes not because they faced dramatically different circumstances. In the first 34 days of their respective expeditions, Amundsen and Scott had exactly the same ratio, 56 percent, of good days to bad days of weather.4 If they faced the same environment in the same year with the same goal, the causes of their respective success and failure simply cannot be the environment. They had divergent outcomes principally because they displayed very different behaviors. LOCATION: 278

In our research, we observed that the 10Xers shared a set of behavioral traits that distinguished them from the comparison leaders. LOCATION: 284

Let's first look at what we did not find about 10Xers relative to their less successful comparisons. They're not more creative. They're not more visionary. They're not more charismatic. They're not more ambitious. They're not more blessed by luck. They're not more risk seeking. They're not more heroic. They're not more prone to making big, bold moves. LOCATION: 286

To be clear, we're not saying that 10Xers lacked creative intensity, ferocious ambition, or the courage to bet big. They displayed all these traits, but so did their less successful comparisons…So then, how did the 10Xers distinguish themselves? First, 10Xers embrace a paradox of control and non-control. LOCATION: 295

On the one hand, 10Xers understand that they face continuous uncertainty and that they cannot control, and cannot accurately predict, significant aspects of the world around them. On the other hand, 10Xers reject the idea that forces outside their control or chance events will determine their results; they accept full responsibility for their own fate. LOCATION: 296

10Xers then bring this idea to life by a triad of core behaviors: fanatic discipline, empirical creativity, and productive paranoia. Animating these three core behaviors is a central motivating force, Level 5 ambition. (See diagram "10X Leadership.") These behavioral traits, which we introduce in the remainder of this chapter, correlate with achieving 10X results in chaotic and uncertain environments. Fanatic discipline keeps 10X enterprises on track, empirical creativity keeps them vibrant, productive paranoia keeps them alive, and Level 5 ambition provides inspired motivation. LOCATION: 299

Discipline, in essence, is consistency of action—consistency with values, consistency with long-term goals, consistency with performance standards, consistency of method, consistency over time. Discipline is not the same as regimentation. Discipline is not the same as measurement. Discipline is not the same as hierarchical obedience or adherence to bureaucratic rules. True discipline requires the independence of mind to reject pressures to conform in ways incompatible with values, performance standards, and long-term aspirations. For a 10Xer, the only legitimate form of discipline is self-discipline, having the inner will to do whatever it takes to create a great outcome, no matter how difficult. LOCATION: 329

In our research-team discussions, we struggled with how to best describe the discipline we found in the 10X leaders. Most business CEOs have some level of discipline, but the 10Xers operated on an entirely different level. The 10Xers, we concluded, weren't just disciplined; they were fanatics. LOCATION: 337

Social psychology research indicates that at times of uncertainty, most people look to other people—authority figures, peers, group norms—for their primary cues about how to proceed. 10Xers, in contrast, do not look to conventional wisdom to set their course during times of uncertainty, nor do they primarily look to what other people do, or to what pundits and experts say they should do. They look primarily to empirical evidence. LOCATION: 397

The 10Xers did not generally make bolder moves than their less successful comparisons; both groups made big bets and, when needed, took dramatic action. Nor did the 10Xers exude more raw confidence than the comparison leaders; indeed, the comparison leaders were often brazenly self-confident. But the 10Xers had a much deeper empirical foundation for their decisions and actions, which gave them well-founded confidence and bounded their risk. LOCATION: 416

The 10Xers don't favor analysis over action; they favor empiricism as the foundation for decisive action. LOCATION: 421

Yet despite their empirical confidence, 10Xers never feel safe or comfortable; indeed, they remain afraid—terrified, even—of what the world can throw at them. So, they prepare to meet head-on what they most fear, which brings us to the third core behavior. LOCATION: 422

10Xers differ from their less successful comparisons in how they maintain hypervigilance in good times as well as bad. Even in calm, clear, positive conditions, 10Xers constantly consider the possibility that events could turn against them at any moment. Indeed, they believe that conditions will—absolutely, with 100 percent certainty—turn against them without warning, at some unpredictable point in time, at some highly inconvenient moment. And they'd better be prepared. LOCATION: 463

Productive paranoia isn't just about avoiding danger, trying to find the safest and most enjoyable path through life; 10Xers seek to accomplish a great objective, be it a goal, a company, a noble ambition to change the world, or a desire to be useful in the extreme. Indeed, as an overall life approach, they worry not about protecting what they have, but creating and building something truly great, bigger than themselves, which brings us to the motivating force behind the three core 10Xer behaviors. LOCATION: 480

So, why did people follow them? Because of a deeply attractive form of ambition: 10Xers channel their ego and intensity into something larger and more enduring than themselves. They're ambitious, to be sure, but for a purpose beyond themselves, be it building a great company, changing the world, or achieving some great object that's ultimately not about them. LOCATION: 488

In *Good to Great*, we wrote about Level 5 leaders, those who lead with a powerful mixture of personal humility plus professional will. Every good-to-great transition in that research began with the emergence of a Level 5 leader who deflected attention from himself, maintained a low profile, and led with inspired standards rather than inspiring personality…The 10Xers share Level 5 leaders' most important trait: they're incredibly ambitious, but their ambition is first and foremost for the cause, for the company, for the work, not themselves. Whereas *Good to Great* focused heavily on the humility aspect of Level 5 leaders, this work highlights their sheer ferocity of will. LOCATION: 521

Every 10Xer we studied aimed for much more than just "becoming successful." They didn't define themselves by money. They didn't define themselves by fame. They didn't define themselves by power. They defined themselves by impact and contribution and purpose. LOCATION: 533

10Xers display three core behaviors that, in combination, distinguish them from the leaders of the less successful comparison companies:

- Fanatic discipline: 10Xers display extreme consistency of action—consistency with values, goals, performance standards, and methods. They are utterly relentless, monomaniacal, unbending in their focus on their quests.

- Empirical creativity: When faced with uncertainty, 10Xers do not look primarily to other people, conventional wisdom, authority figures, or peers for direction; they look primarily to empirical evidence. They rely upon direct observation, practical experimentation, and direct engagement with tangible evidence. They make their bold, creative moves from a sound empirical base.
- Productive paranoia: 10Xers maintain hypervigilance, staying highly attuned to threats and changes in their environment, even when—especially when—all's going well. They assume conditions will turn against them, at perhaps the worst possible moment. They channel their fear and worry into action, preparing, developing contingency plans, building buffers, and maintaining large margins of safety. LOCATION: 585

Underlying the three core 10Xer behaviors is a motivating force: passion and ambition for a cause or company larger than themselves. They have egos, but their egos are channeled into their companies and their purposes, not personal aggrandizement. LOCATION: 598

[Compiler's note: The next few quotes talk about the concept of the "20 Mile March" –terminology which the authors use in describing the practice and priority of consistently hitting prescribed goals, day after day, year after year, regardless of the prevailing conditions.]

The 20 Mile March is more than a philosophy. It's about having concrete, clear, intelligent, and rigorously pursued performance mechanisms that keep you on track. The 20 Mile March creates two types of self-imposed discomfort: (1) the discomfort of unwavering commitment to high performance in difficult conditions, and (2) the discomfort of holding back in good conditions. LOCATION: 703

WHY 20 MILE MARCHERS WIN 20 Mile Marching helps turn the odds in your favor for three reasons: 1. It builds confidence in your ability to perform well in adverse circumstances. 2. It reduces the likelihood of catastrophe when you're hit by turbulent disruption. 3. It helps you exert self-control in an out-of-control environment. LOCATION: 854

You can get away with failing to 20 Mile March in stable times for a while, but doing so leaves you weak and undisciplined, and therefore exposed when unstable times come. And they will always come. LOCATION: 931

Financial markets are out of your control. Customers are out of your control. Earthquakes are out of your control. Global competition is out of your control. Technological change is out of your control. Most everything is ultimately out of your control. But when you 20 Mile March, you have a tangible point of focus that keeps you and your team moving forward, despite confusion, uncertainty, and even chaos. LOCATION: 955

We're not the only researchers to have such findings. We came across a fascinating piece of work by Gerard J. Tellis and Peter N. Golder in their book Will and Vision. Tellis and Golder systematically examined the relationship between attaining long-term market leadership and being the innovative pioneer in 66 wide-ranging markets, from chewing gum to the Internet. They found that only 9 percent of pioneers end up as the final winners in a market. Gillette didn't pioneer the safety razor; Star did. Polaroid didn't pioneer the instant camera; Dubroni did. Microsoft didn't pioneer the personal computer spreadsheet; VisiCorp did. Amazon didn't pioneer online bookselling and AOL didn't pioneer online Internet service. Tellis and Golder also found that 64 percent of pioneers failed outright. It seems that pioneering innovation is good for society but statistically lethal for the individual pioneer! LOCATION: 1109

But that isn't our point; we're not saying that innovation is unimportant. Every company in this study innovated.

It’s just that the 10X winners innovated less than we would have expected relative to their industries and relative to their comparison cases; they were innovative enough to be successful but generally not the most innovative. LOCATION: 1119

So, we have an enticing puzzle. Why doesn’t innovation systematically distinguish the 10X winners from the comparisons, despite the widely held view that innovation is perhaps the #1 differentiating factor of success in a fast-changing world? Because, in essence, once a company meets the threshold of innovation necessary for survival and success in a given environment, it needs a mixture of other elements to become a 10X company—in particular, the mixture of creativity and discipline. LOCATION: 1138

“Intel Delivers” explains Intel’s 10X success much better than “Intel Innovates.” Even more accurate, “Intel innovates to a necessary threshold, then blows everyone away—utterly, completely, fanatically, obsessively—with its ability to deliver on its innovations, at expected cost, with high reliability and great consistency.” This is the essence of Intel’s 10X journey. LOCATION: 1159

Of course, it is not discipline alone that makes greatness, but the combination of discipline and creativity. In the vernacular of Built to Last, this is a true “Genius of the AND.” LOCATION: 1174

The great task, rarely achieved, is to blend creative intensity with relentless discipline so as to amplify the creativity rather than destroy it. When you marry operating excellence with innovation, you multiply the value of your creativity. And that’s what 10Xers do. LOCATION: 1178

Amgen’s early days illustrate a key pattern we observed in this study: fire bullets, then fire cannonballs. First, you fire bullets to figure out what’ll work. Then once you have empirical confidence based on the bullets, you concentrate your resources and fire a cannonball. After the cannonball hits, you keep 20 Mile Marching to make the most of your big success. LOCATION: 1217

WHAT MAKES A BULLET? A bullet is an empirical test aimed at learning what works and that meets three criteria: 1. A bullet is low cost. Note: the size of a bullet grows as the enterprise grows; a cannonball for a $1 million enterprise might be a bullet for a $1 billion enterprise. 2. A bullet is low risk. Note: low risk doesn’t mean high probability of success; low risk means that there are minimal consequences if the bullet goes awry or hits nothing. 3. A bullet is low distraction. Note: this means low distraction for the overall enterprise; it might be very high distraction for one or a few individuals. LOCATION: 1225

Embracing the “fire bullets, then cannonballs” principle requires a combination of activities: Fire bullets. Assess: Did your bullets hit anything? Consider: Do any of your successful bullets merit conversion to a big cannonball? Convert: Concentrate resources and fire a cannonball once calibrated. Don’t fire uncalibrated cannonballs. Terminate bullets that show no evidence of eventual success. LOCATION: 1247

And that’s the underlying principle: empirical validation. Be creative, but validate your creative ideas with empirical experience. You don’t even need to be the one to fire all the bullets; you can learn from the empirical experience of others. LOCATION: 1339

The iPod story illustrates a crucial point: a big, successful venture can look in retrospect like a single-step creative breakthrough when, in fact, it came about as a multistep iterative process based more upon empirical validation than visionary genius. The marriage of fanatic discipline and empirical creativity better explains Apple’s revival than breakthrough innovation per se. LOCATION: 1442

Fanatic discipline and empirical creativity—two sides of a coin, both required for 10X success and enduring greatness. Still, they are not enough, for if you get knocked out of the game, all your creativity and discipline amount to nothing. Apple nearly disappeared as an independent company in the mid-1990s, having fallen so far and become so dispirited that its leaders seriously entertained a sellout to another company. Apple got a stay of execution when its board couldn't come to terms with the potential acquirers, and Jobs returned soon thereafter. If Apple had capitulated and been acquired, there'd very likely have been no iMac, iPhone, iPod, or iPad. Greatness requires the Churchillian resolve to never give in, but it also requires having the reserves to endure staggering defeats, bad luck, calamity, chaos, and disruption. In a stable and predictable world, leading with fanatic discipline and empirical creativity might be enough; but uncertainty and instability also require leading with productive paranoia, the subject of our next chapter. LOCATION: 1450

David Breashears's approach to Everest exemplifies the ideas in this chapter, which addresses how 10Xers lead their companies with productive paranoia. The 10X winners in our research always assumed that conditions can—and often do—unexpectedly change, violently and fast. They were hypersensitive to changing conditions, continually asking, "What if?" By preparing ahead of time, building reserves, maintaining "irrationally" large margins of safety, bounding their risk, and honing their disciplines in good times and bad, they handled disruptions from a position of strength and flexibility. They understood, deeply: the only mistakes you can learn from are the ones you survive. LOCATION: 1557

In this chapter, we explore three core sets of practices, rooted in the research, for leading and building a great enterprise with productive paranoia:

- Productive Paranoia 1: Build cash reserves and buffers—oxygen canisters—to prepare for unexpected events and bad luck before they happen.
- Productive Paranoia 2: Bound risk—Death Line risk, asymmetric risk, and uncontrollable risk—and manage time-based risk.
- Productive Paranoia 3: Zoom out, then zoom in, remaining hypervigilant to sense changing conditions and respond effectively. LOCATION: 1568

One of the most dangerous false beliefs is that faster is always better, that the fast always beat the slow, that you are either the quick or the dead. Sometimes the quick are the dead. LOCATION: 1751

10Xers distinguish themselves by an ability to recognize defining moments that call for disrupting their plans, changing the focus of their intensity, and/or rearranging their agenda, because of opportunity or peril, or both. LOCATION: 1850

We've found in all our research studies that the signature of mediocrity is not an unwillingness to change; the signature of mediocrity is chronic inconsistency. LOCATION: 2128

We defined a luck event as one that meets three tests: (1) some significant aspect of the event occurs largely or entirely independent of the actions of the key actors in the enterprise, (2) the event has a potentially significant consequence (good or bad), and (3) the event has some element of unpredictability. LOCATION: 2381

Adding up all the evidence, we found that the 10X cases were not generally luckier than the comparison cases. The 10X cases and the comparisons both got luck, good and bad, in comparable amounts. The evidence leads us to conclude that luck does not cause 10X success. People do. The critical question is not "Are you lucky?" but "Do you get a high return on luck?" LOCATION: 2528

Everyone gets luck, good and bad, but 10X winners make more of the luck they get. LOCATION: 2595

Getting a high return on luck requires throwing yourself at the luck event with ferocious intensity, disrupting your life, and not letting up. Bill Gates didn't just get a lucky break and cash in his chips. He kept pushing, driving, working—staying on a 20 Mile March; firing bullets, then big calibrated cannonballs; exercising productive paranoia to avoid the Death Line; developing and amending a SMaC recipe; hiring great people; building a culture of discipline; never deviating from his monomaniacal focus—and sustained his efforts for more than two decades. That's not luck; that's return on luck. LOCATION: 2611

Progressive and Peter Lewis illustrate how 10Xers shine when clobbered by setbacks and misfortune, turning bad luck into good results. 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. LOCATION: 2676

Life offers no guarantees. But it does offer strategies for managing the odds, indeed, even managing luck. The essence of "managing luck" involves four things: (1) cultivating the ability to zoom out to recognize luck when it happens, (2) developing the wisdom to see when, and when not, to let luck disrupt your plans, (3) being sufficiently well-prepared to endure an inevitable spate of bad luck, and (4) creating a positive return on luck—both good luck and bad—when it comes. Luck is not a strategy, but getting a positive return on luck is. LOCATION: 2752

There's an adage that says "Better to be lucky than good." And it's perhaps true—for those who seek to be only good, not much better than average, creating nothing exceptional. But our research brings us to an entirely opposite conclusion for those who aspire to more: it's far better to be great than lucky. LOCATION: 2777

The leadership concepts in this book—fanatic discipline; empirical creativity; productive paranoia; Level 5 ambition; 20 Mile March; fire bullets, then cannonballs; leading above the Death Line; and SMaC—all contribute directly to earning a great ROL. LOCATION: 2811

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'd risk your life and who'd risk their lives for you. LOCATION: 2825

Indeed, if there's one overarching message arising from more than six thousand years of corporate history across all our research—studies that employ comparisons of great versus good in similar circumstances—it would be this: greatness is not primarily a matter of circumstance; greatness is first and foremost a matter of conscious choice and discipline. LOCATION: 2846