

# Great By Choice Summary

By Jim Collins

What do you get when you sift through 7000 historical documents in order to interrogate the survival of businesses?

*Great By Choice* is the result of extensive research into why some companies fail, and others thrive. The authors illustrate that in a world of uncertainty, there're ways to help better navigate adversity, and make better decisions.

Against the backdrop of market crashes, a poor economy, and the 9/11 terrorist attacks, our authors researched nine years' worth of company performance. From 20,400 companies, researchers distilled this down to seven 10X companies.

10X companies are those that perform ten times better during hardships. The team also paired a 10X company with a comparison company that wasn't doing so well. Comparison companies were in the same industry, era, and with the same opportunities. The idea is that by comparing and contrasting 10X enterprises alongside their less successful counterparts, they could get a tremendous insight into what makes businesses great.

This Briefer summary unpacks some of the common-sense views and myths about success, and guides us through what it takes to build greatness.

## The Risk Factor

There is a myth around the fact that success comes to those who take the most significant risks. 10Xers have built companies that are ten times bigger than the industry index. We may think of them as inherent risk-takers, but they actually display a few fundamental core behaviors.

They have a fanatic discipline; they demonstrate empirical creativity, and they display productive paranoia. With these three core behaviors, we're a step closer to being successful.

If we look at fanatic discipline, 10Xers focus on their core values, goals, and methods. To understand this better, we can use the analogy of the 20-mile march. Let's go back in time to 1911. This was the year two expeditions to the South Pole took place. The first team was led by Roald Edmunson, and the second by Robert Falcon Scott. Those who are familiar with history will know how the story goes. Roald Edmunson and his team reached their target right on schedule, whereas Scott's team arrived over a month later than the other team, and died on the way back.

So what made the success outcome of these two teams so unbelievably different?

Edmunson's team consistently traveled 20 miles per day, no matter what the weather. On the other hand, Scott's team pushed themselves on some days, and opted out of moving for others. The key is that discipline and consistency are essential to reaching our goals. So how do we apply the 20-mile march analogy to our own lives?

Firstly, we need to have an idea of our limits. The idea is that we should know what our maximum and minimum capabilities are. This means that

when times are tough, we can push through without overextending ourselves, and when things are going well, we don't stagnate. We also need to look at how we measure performance. For many people, money is everything; however, there are other markers that need to be considered, and different enterprises often have different value systems. Aside from financial rewards, there are other markers of success such as achievements, growth, increase in membership, improving lives, and so on. Then there's also the fact that we need to understand time frames, and nurture the ability to take action and responsibility, and of course, develop that all-important consistency.

10Xers operate with high levels of empirical creativity, and they rely heavily on observations, experimentation, and user experience. An example of this is the CEO of Intel, Andy Grove, who was diagnosed with cancer. The medical world was at odds with a treatment plan, so Grove went into research mode and found out all the he could about his illness. He took it upon himself to learn as much as possible so that he could clear the confusion and deal with the conflicting beliefs about the best course of action.

They also anticipate potential problems by exhibiting levels of productive paranoia where they imagine worst-case scenarios so they can plan for any eventuality. Bill Gates has this attitude, and his history at Microsoft has always been around the belief that things could go wrong at any moment. In the early days of building the company, he would circulate memos about potential threats so that he could prepare accordingly. The ability to mitigate threats and to prepare for hurdles is crucial to maintaining security.

High levels of ambition drive discipline, creativity, and planning for worst-case scenarios. However, level 5 ambition isn't about achieving personal

greatness and finding ways to pat oneself on the back. 10Xers want to build a legacy and make a difference in the world, which is a guiding principle.

## **It's Not All About Innovation**

The best companies are the best innovators, right? Well, that's not strictly true.

There is a prevalent myth that innovation is a key driver of success. However, research shows that 10X companies aren't as innovative as their competitors, but they know how much to innovate. In fact, out of the companies studied, only three out of the seven were more innovative than the comparison companies.

The message is that the best innovators are the ones who innovate just enough, and fire bullets before cannonballs. It's always a good idea to test new ideas, and not just jump headfirst. The principle here is that we need to fire bullets and see if we hit targets before we jump headfirst into launching a cannonball.

New products, services, ideas, innovations, and so on, need to be tested, but it shouldn't be costly, and it certainly shouldn't disrupt other areas of the enterprise. Innovations are wonderful, but they can also be very disruptive and shift focus away from what's really important.

A company's need for innovation is also heavily based on context. Companies that operate in the tech or biotechnology space, for example, need to be high innovators because there's a high chance of becoming obsolete if they don't. In the field of medicine, where things aren't as fast-

paced, innovation can be at a medium level. This means that innovation can occur, but it doesn't cause unnecessary disruptions. Finally, things are less fast-paced in fields such as insurance and aviation, and innovations occur over years, rather than months. These industries have a low threshold for innovation because there is no need to be fast-paced about change.

## **The Need for Speed**

So often we have an insatiable need to move through things as quickly as possible.

10Xers are timing-oriented. Their ethos is to respond in the right way, as opposed to right away. This distinction is important because timing is everything, and rushing headfirst into things often puts an enterprise at risk.

When it comes to optimizing structures to allow for timing, there are some critical factors. The first is to make sure that there is a financial safety net for when things go wrong. Cash flow is absolutely crucial, and making sure there is enough money at the right time can be the difference between success and failure. The next element is risk-taking. 10Xers don't rush into decision-making. Instead, they keep clear heads and make decisions based on their research and information. In short, 10Xers are brilliant at assessing threats.

## **Sticking to the Recipe**

The need to change is often problematic, and as they say, "if it ain't broke, don't fix it."

10Xers change a lot less than comparison companies. As we've learned, they focus on fanatic discipline, empirical creativity, and productive paranoia, but they also adhere to their SMaC. SMaC stands for specific, methodical, and consistent. This is the recipe that 10Xers tend to follow to the letter, and they seldom change the parameters. On the other hand, comparison companies tend to change their recipe a lot, which makes building momentum really difficult.

If we react to every change that's thrown at us, we would be in a permanent state of flux and anxiety. This same logic applies to companies. Therefore it's crucial to be able to identify what threats to consider, and which to blow over.

As an example, when Microsoft and Apple were finding their feet, Microsoft amended 15% of their SMaC recipe, in contrast to Apple's 60%. What happened? Apple floundered with all of the changes in leadership, strategy, and vision. It took the return of Steve Jobs and the "original recipe" to get Apple to where it needed to be.

## **Is it All About Luck?**

We hear stories all the time about how luck is such a huge factor in success. However, it's more nuanced than this. Success is something that comes from lucky events and a few unlucky ones too. Most companies experience a mixture of both. So it's not about how much luck we experience; it's about how we deal with the opportunity.

## How do we navigate luck?

When we're faced with good luck, we need to capitalize on it. The ability to see opportunity and the refusal to coast is one of the ways people succeed. Bill Gates is an example of someone who had lots of good luck through his privileged background. However, he didn't just cruise through life thinking he didn't have to work hard. He grabbed every opportunity and used it to create Microsoft. A lot of the time, luck also comes down to identifying the right people for a company. People are so pivotal to success, and the right hire could allow for massive potential.

On the flip side, what happens when we fail to capitalize on good luck? If we look at Intel vs. AMD, we can see this in action. AMD had a run of excellent luck and was in a great position. Intel was in a much weaker position, but yet they thrived. Why? Well, AMD delayed and didn't capitalize on the numerous advantages that were being thrown their way. AMD was slow on production and failed to execute any of their plans sufficiently, allowing Intel to have the edge.

When dealing with bad luck, this is where 10Xers show their ability to excel. Being resilient is a cornerstone of success, and creative problem-solving can be the difference between floundering and soaring.

The core behaviors are crucial to navigating luck and misfortune. Luck is often the roll of the dice, but there are ways to deal with it that distinguishes between those who not only succeed but thrive, and those who fail.

## **In Conclusion**

The world is chaotic and unpredictable, and all too often we use this as an excuse not to capitalize on opportunities.

*Great by Choice* is a highly valuable insight into how we can utilize discipline, creativity, and just the right level of paranoia to navigate the chaos around us. And while it is essentially a business text, it offers excellent advice for those who want to lead better and more productive lives.

All too often we leave things to chance and accept the world as it is presented to us. Instead, we should be considering opportunities, and developing the skills to be able to read when to take hold of the choices that we're given. How we navigate the world is how we will determine our success, and it's nice to know that there is a method that can be applied to the madness.