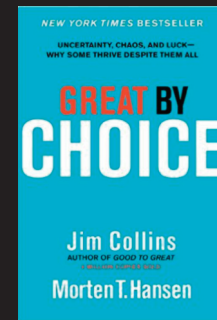


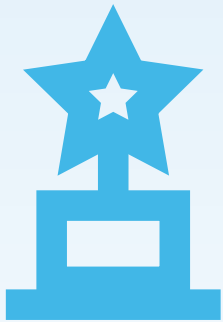
Great by Choice

Uncertainty, Chaos, and Luck— Why Some Thrive Despite Them All



Review by Lené Booysen

Book by Jim Collins and Morten T. Hansen
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Why do some companies rise to greatness while others sink in the sea of uncertainty and extreme conditions? Is it just a matter of luck, or do successful companies do something differently? This book looks through a business lens to answer these questions—but really, it applies to anyone who wants to be successful in a world where uncertainty is the default setting.

Great by Choice is a digestible report on research that spans a cumulative 6,000 years of business history, gleaned from various companies. This gripping read provides an in-depth look at what successful companies do differently in order to keep on winning, even in extreme conditions.

Collins and Hansen tell the story of their research findings in a comprehensible and interesting way—using a number of real-world examples to solidify theoretical concepts and bring home the gist of their astonishing conclusions.

Drawing on their combined experience in business management research and teaching, authors Jim Collins and Morten T. Hansen crystalize three properties that are common across all companies that thrive in an uncertain and chaotic world. In *Great by Choice*, the authors explain how to:

- ✓ practice fanatic discipline to avoid promising—but irrelevant—opportunities while staying focused
- ✓ employ empirical creativity to find the best opportunities and make them work
- ✓ favor productive paranoia to protect against the uncertain nature of business

Initial Insights

Collins and Hansen identify seven companies that have been consistently successful over a time span of 30 years (from 1972 to 2002) despite extreme uncertainty, volatile market conditions, and varying states of good and bad luck. The companies are referred to as the “10Xers” because they beat their industry index by at least 10 times, over the period under scrutiny. In *Great by Choice*, the authors reveal their findings; all seven companies exhibit three core behaviors—fanatic discipline, empirical creativity, and productive paranoia. The authors also question the impact that luck may have had on the success of these companies.

Fanatic Discipline: The 20 Mile March Approach

Authors Collins and Hansen view discipline as consistency of action. 10Xer companies have the ability to focus consistently on reaching their goal, while ignoring anything else. In fact, they’re so committed to this that they can be called fanatically disciplined.

Great by Choice uses the analogy of walking from San Diego to the tip of Maine by consistently walking 20 miles a day—no more, no less—regardless of weather conditions. The “20 Mile March” approach is the practical implementation of fanatic discipline.

The authors effectively distill the process of fanatic discipline into easy-to-follow steps. First, identify specific performance markers—for example, grow the business by 20% each year. Now keep hitting these performance markers consistently, over a long period of time. Impose constraints on yourself: avoid the temptation of growing more than 20% when times are good, and push to grow by 20% even when times are tough. Now because you consistently meet these performance markers, you’ll realize that performance is not determined by conditions, but by actions.

“...performance is not determined by conditions, but by actions.”

Empirical Creativity Trumps Innovation

In *Great by Choice*, the authors explain that 10Xers carefully researched what could work, and then poured their resources into creating those products or services.

Collins and Hanson came up with a brilliant way of explaining this empirical process. Bullets and cannonballs are used as a metaphor for how 10Xer companies spend their resources in the pursuit of innovation. The best approach is to use a small amount of resources (bullets) first, to find out what works. Then, once you’ve identified your target, you can launch a more serious project with additional resources (the cannonball). Bullets are low-cost, low-risk, and low-distraction tests aimed at empirically validating what works. Cannonballs are well-calibrated big bets that pay off when they’re launched at the right time.

“...innovation at all costs isn’t the key to success...”

It turns out that innovation at all costs isn’t the key to success, after all.

Better Safe than Sorry: Productive Paranoia

Great by Choice reveals that 10Xer companies understand how unpredictable and uncertain the business world is. These companies protect themselves from this fact by being productively paranoid.

As Collins and Hansen point out, there are three aspects of productive paranoia: building cash reserves and buffers, bounding risk, and focusing on objectives while remaining hypervigilant to changing conditions. By building cash reserves and buffers for the tough times that will inevitably come, 10Xer companies are prepared to float themselves through the bad times. By bounding risks—in effect being more risk-averse—10Xer companies protect themselves from incidents that could damage the organization beyond repair. By being focused and hypervigilant, 10Xer companies are able to spot changes on the horizon, consider the timeframe they have for responding to them, and then formulate responses that are carefully thought out. 10Xers aren't better at predicting the future than other companies. But they are better prepared for the ups and downs that are an inevitable part of life.

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A Note on Luck

Naturally, after studying uncertainty, chaos, and the disruptive forces companies have to contend with, Collins and Hansen theorize whether luck has any place in the formula for the successes of 10Xer companies. As part of their research, the authors devise a luck event—an event that is unpredictable, independent of the actions of the company, with a potentially significant consequence. They take a matched pair—a 10Xer and a similar company in the same industry that's less successful—and they compare the luck events present in the history of each of these companies. Not surprisingly, the 10Xer company doesn't have more good luck events than the other company. On average, it actually has fewer. And both companies have the same number of bad luck events.

In *Great by Choice*, Collins and Hansen explain succinctly based on their research that it's not whether a company has luck that makes the difference—it's what it does with that luck that counts. All luck isn't equal. The authors' research shows that a single bit of very good luck, even extremely good fortune, isn't enough to make a company great. But a single stroke of very bad luck could cause so much damage that a company can't survive it.

"...it's not that a company has luck that makes the difference—it's what it does with that luck that counts."

Parting Thoughts

In *Great by Choice*, Collins and Hansen expertly boil down an immense research study into three simple concepts that can be the distinguishing factors between a good company, and a great company. First, successful companies don't lose focus—they set a measured pace, and stick to it through good times and bad. Second, they use small amounts of resources to probe opportunities. When they find the one that works, they can pour a huge stockpile of resources into developing it. And third, they accept that ups and downs are part of life, and protect themselves from the inevitable crisis by planning ahead and dealing with problems before they spiral out of control. But these concepts don't only apply to corporations—they are just as applicable to everyday life.

Great by Choice is a fascinating book that's easy to read and absorb. The authors succeed in making the research accessible to the lay person—but there are also extensive appendices that detail the authors' research methodologies for those who want a deeper understanding of their research project.

About the Authors



JIM COLLINS is a student and teacher of leadership, and what makes great companies tick. Having invested a quarter century researching the topic, he has authored and co-authored books that have sold worldwide. Driven by a relentless curiosity, Collins began his research and teaching career on the faculty at the Stanford Graduate School of Business, where he received the Distinguished Teaching Award in 1992. In 1995, he founded a management laboratory in Boulder, Colorado, where he conducts research and engages in Socratic dialog with CEOs and senior-leadership teams.

Also by Jim Collins

- 1 *Good to Great: Why Some Companies Make the Leap and Others Don't*, HarperCollins, © 2001, ISBN 978-0066620992.
- 2 *Built to Last: Successful Habits of Visionary Companies*, HarperCollins, © 2004, ISBN 978-0062119087.
- 3 *How the Mighty Fall: And Why Some Companies Never Give In*, Random House Business, © 2009, ISBN 978-0977326419.



MORTEN T. HANSEN is a management professor at the University of California, Berkeley (School of Information) and at INSEAD, France. Formerly a professor at the Harvard Business School, he holds a PhD from the Graduate School of Business at Stanford University, where he was a Fulbright scholar and received the Jaedicke award for outstanding academic performance. Hansen has also been a senior management consultant with the Boston Consulting Group in London, Stockholm, and San Francisco.

Also by Morten T. Hansen

- *Collaboration: How Leaders Avoid the Traps, Build Common Ground, and Reap Big Results*, Harvard Business Press, © 2009, ISBN 978-1422137277.