BUSINESS & STRATEGY

Great by Choice

by Jim Collins and Morten T. Hansen

Why some companies beat their industry indexes tenfold in chaotic times - and why discipline, not luck, is the edge.

BEST POINTS FROM THE BOOK

01 **The winners were not luckier, bolder, or more visionary than their rivals. They behaved differently.**

Collins and Hansen screened 20,400 companies to isolate seven '10X cases' that beat their industry index by ten times or more. Against near-identical comparisons, behavior - not fortune or genius - was the gap.

02 **Aim your ambition at the cause, not at yourself.**

Level 5 ambition is the engine behind every 10X behavior. These leaders were ferocious about their mission and company - not about fame, money, or their own image.

03 **March 20 miles every day - in all weather, and never more just because the sun is out.**

The 20 Mile March, modeled on Amundsen's steady push to the South Pole, has both a floor and a ceiling: hit your marker in bad years, and restrain yourself from overextending in good ones.

04 **Fire bullets, then cannonballs.**

A bullet is a low-cost, low-risk, low-distraction test. Only when a bullet proves it hits do you fire a cannonball - and only a calibrated one, backed by evidence.

05 **When nobody knows, trust evidence over experts, opinion, and conventional wisdom.**

The 10Xers were not more innovative than their rivals; they were more empirical. Direct observation and practical experiment told them where boldness would actually pay.

06 **Stay productively paranoid: prepare for the storm while the sun is shining.**

10X companies held 3 to 10 times the cash-to-assets ratio of their comparisons, building buffers and backup plans in good times - Gates kept enough cash to run Microsoft for a year with no revenue.

07 **Lead above the Death Line: never take a risk that can kill the enterprise.**

Productive paranoia means bounding risk - refusing Death Line risk, asymmetric risk (downside far bigger than upside), and uncontrollable risk - and watching how much time you have before the facts change.

08 **Zoom out to sense danger early - then zoom in and execute.**

10X leaders stayed hypervigilant even in calm times. When conditions shifted, they reassessed and changed plans fast, then refocused completely on the new objective.

09 **Run on a SMaC recipe - and change it slowly, only on evidence.**

SMaC means Specific, Methodical, and Consistent operating practices. The 10Xers amended their recipes only about 15% over decades; comparisons churned theirs by roughly 60%.

10 **You cannot control your luck. You control your return on it.**

Across 230 luck events studied, winners and comparisons drew similar good and bad luck. The winners extracted more from good luck, blunted bad luck - and prized 'who luck': the right people entering their lives.

THE BOOK, IN SHORT

Why do some companies thrive in uncertainty, even chaos, while others in the same storm do not? Collins and Hansen began the research in 2002 and spent nine years on it with a team of more than twenty researchers. They screened 20,400 companies and, through eleven layers of cuts, isolated seven '10X cases' - Amgen, Biomet, Intel, Microsoft, Progressive Insurance, Southwest Airlines, and Stryker - each of which beat its industry index by at least ten times over an era of fifteen years or more, in environments shaped by forces its leaders could not predict or control. Each 10X case was matched with a comparison company in the same industry - Genentech, Kirschner, AMD, Apple, Safeco, Pacific Southwest Airlines, and USSC - that had similar opportunities in the same era but failed to become great.

The book frames the contrast with the 1911 race to the South Pole: Amundsen prepared fanatically and reached the Pole and back alive; Scott, pushing hard in good weather and resting in bad, arrived later and died with his whole team. Same goal, same environment - different behavior. The 10X leaders shared three core behaviors: fanatic discipline, empirical creativity, and productive paranoia, all powered by Level 5 ambition - a ferocious drive aimed at the cause, not the self. Surprisingly, they were not more visionary, charismatic, risk-taking, or innovative than the comparison leaders.

Fanatic discipline shows up as the 20 Mile March: a clear performance marker hit with consistency over long stretches - Stryker, for example, marched at roughly 20 percent growth year after year, restraining itself in booms and refusing to miss in downturns. Empirical creativity shows up as firing bullets, then cannonballs: small, cheap tests first, and major commitments only after a bullet has empirically hit its target.

Productive paranoia meant building cash reserves and buffers far beyond the norm, bounding risk so no single blow could cross the 'Death Line' and kill the enterprise, and zooming out to sense changing conditions before zooming in to act. Their operating systems were SMaC recipes -

Specific, Methodical, and Consistent practices, like Southwest's, that endured for decades and were amended only slightly and only on evidence.

The final chapter takes on luck directly. The researchers identified and analyzed 230 luck events and found that the 10X cases were not luckier - both groups received similar amounts of good and bad luck. The difference was return on luck: the winners did more with their good luck, suffered less from their bad luck, and benefited most from 'who luck,' the luck of finding the right people. Greatness, the authors conclude, is not a matter of circumstance. It is a matter of conscious choice and discipline.

DO THIS WEEK

Set your own 20 Mile March this week: pick one performance marker you control - calls made, pages written, workouts done - with both a floor you must hit on your worst day and a ceiling you will not exceed on your best. Post it where you can see it and march seven straight days. Then add one paranoia buffer: a small cash reserve, backup, or plan B you put in place before anything goes wrong.

By Jim Collins and Morten T. Hansen, first published 2011. Read it if you want to win in uncertain times without luck.