

Great by Choice

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10XERS

- ▶ \$10,000 invested in 1972 – led to a value of \$6 mil in 2002 – 23 times better than the general market.
- ▶ Spectacular results for 15+ years – related to market and industry
- ▶ Turbulent environment
- ▶ Started small/young

10X Case	Era	\$10k inv val	Rel to Mkt	Rel to Ind	Comparison
Amgen	1980-2002	\$4.5 m	24 X	77.2 X	Genentech
Biomet	1977-2002	\$3.4 m	18.1 X	11.2 X	Kirschner
Intel	1968-2002	\$3.9 m	20.7 X	46.3 X	AMD
Microsoft	1975-2002	\$10.6 m	56 X	118.8 X	Apple
Progressive	1965-2002	\$2.7 m	14.6 X	11.3 X	Safeco
Southwest	1967-2002	\$12 m	63.4 X	550.4 X	PSA
Stryker	1977-2002	\$5.3 m	28 X	10.9 X	USSC

- ▶ Not more creative or visionary
- ▶ Not more charismatic or ambitious
- ▶ Not luckier or more risk-taking
- ▶ Not more heroic or prone to big, bold moves
- ▶ Amundsen & Scott 1911 Expeditions
 - One achieved spectacular success... the other failure of equal magnitude
 - Amundsen – sailing via bicycle, dolphin meat, Eskimos
 - Scott – unproven technology, no redundancies, just enough supplies
 - One to four thermometers...
 - Same goals and exact same environment... different behaviors

Three Consistent Traits

- ▶ Fanatic Discipline
 - Consistency of action – consistent with values, goals & performance standards
 - Didn't succumb to herd mentality – or alluring opportunities
- ▶ Empirical Creativity
 - Relying on evidence over opinion
 - Made unconventional choices
- ▶ Productive Paranoia
 - Hyper-vigilance in good times as well as bad
 - What could go wrong? How do we prepare?

Plus – Level 5 Ambition

- ▶ Driven to create something beyond themselves
- ▶ Focus on enduring company success over personal achievements

20 Mile March

- ▶ Distinguishing factor in 10X companies
- ▶ Focused on hitting specific performance measures with consistency over time
- ▶ Requires two types of discomfort
 - Delivering performance in difficult times
 - Holding back in good times

Elements of a 20 Mile March

- ▶ Performance markers with minimum acceptable achievement
- ▶ Self-imposed constraints – upper bounds
- ▶ Tailored to the enterprise and industry
- ▶ Within your control to achieve
- ▶ Goldilocks time frame
- ▶ Designed by the company and self-imposed
- ▶ Achieved with great consistency

Examples of a 20 Mile March

- ▶ Stryker – 20% net income growth each year
 - Snorkel Award for those below the watermark
 - Annual breakfast for those who hit the goal
 - Comparison – USSC – 248% growth in 3 yrs, then...
- ▶ Southwest Airlines
 - Profitable every year
 - Slow consistent expansion
- ▶ Progressive – profitable combined ratio of 96%
- ▶ Intel – Moore’s law – double complexity every 18 months to two years
- ▶ Amundsen – 15-20 miles per day regardless of conditions

20 Mile March

- ▶ Provided an edge in most volatile markets
- ▶ Inverse correlation between pursuit of maximum growth and 10X success
- ▶ 20 Mile March philosophy in place at 10X companies before they were successful – helped them get there
- ▶ WHAT IS YOUR 20 MILE MARCH? What can you commit to achieving with consistency for 15 to 30 years?

Fire Bullets, Then Cannonballs

- ▶ 10X success not driven by innovation
- ▶ 10X companies innovated – but less than expected relative to their industries and comparison companies
- ▶ Met the industry threshold for innovation
- ▶ Then blended creative intensity with relentless discipline and operating excellence

Bullets, Then Cannonballs

- ▶ Fire bullets - empirical tests that
 - Are low cost (size appropriate to industry)
 - Are low risk (not necessarily high probability of success, but minimal consequences if not)
 - Are low distraction (for the overall company)
- ▶ Assess: Did they hit anything?
- ▶ Consider: Do they merit conversion to cannonballs?
- ▶ Convert: Concentrate resources and fire a cannonball
- ▶ Don't fire uncalibrated cannonballs
- ▶ Terminate bullets that miss

Cannonballs

- ▶ Calibrated: 10X examples
 - Biogen – multiple research projects
 - Progressive – auto (hit/yes) & homeowners (miss/no)
 - Microsoft – DOS/Windows
 - Apple – iPod – for iMac, then iTunes, then...
- ▶ Uncalibrated: Comparison Company Examples
 - Kirschner – high-risk acquisitions
 - PSA – Fly-Drive-Sleep; L1011s
 - 9% of pioneers end up as market winners

Fire Bullets, Then Cannonballs

- ▶ 10X companies fired a lot of bullets that didn't hit... and even some uncalibrated cannonballs
- ▶ 10X companies learned from their mistakes
- ▶ Comparison companies fired more uncalibrated (untested) cannonballs
- ▶ 10Xers not more innovative or predictive – combined creativity and discipline to better scale the innovations than competitors

Key Question

- ▶ Which of the following behaviors do you most need to increase?
 - Firing enough bullets
 - Resisting the temptation to fire uncalibrated cannonballs
 - Committing – converting bullets into cannonballs once you have validation