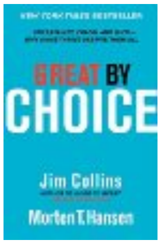
Fanatic Discipline: Lesson #1 From Jim Collins' Great By Choice



(http://www.amazon.com/gp/product/0062120999/ref=as_li_tf_il?ie=UTF8&tag=stephbland-20&linkCode=as2&camp=217145&creative=399373&creativeASIN=0062120999)

Jim Collins and Morten Hansen's latest book, ***Great By Choice*** ***(http://www.amazon.com/gp/product/0062120999/ref=as_li_tf_il?ie=UTF8&tag=stephbland-20&linkCode=as2&camp=217145&creative=399373&creativeASIN=0062120999)***, is the result of a nine-year research project aimed at answering one question: **"Why do some companies thrive in uncertainty, even chaos, and others do not?"** Our world is unstable, uncertain, and filled with unanswered what ifs. And while we cannot predict the future, as the authors observe, we can create it. And a handful of companies have done so exceptionally well.

Collins and Hansen identified what they call **"10x Companies."** They write: "We set out to find companies that started from a position of vulnerability, rose to become great companies with spectacular performance, and did so in unstable environments characterized by big forces, out of their control, fast moving, uncertain, and potentially harmful" (p. 7).

Starting with 20,400 companies, their rigorous research identified seven 10x companies including **Amgen, Biomet, Intel, Microsoft, Progressive Insurance, Southwest Airlines, and Stryker.** These 10x companies beat their industry index by at least 10 times. And they did it during chaotic environments.

For example, in the chaotic airline environment from 1972 to 2002 filled with fuel shocks, deregulation, labor strife, air-traffic-control strikes, interest-rate spikes, hijackings (including 9-11), recessions, and multiple bankruptcies, Southwest Airlines had a stock return 63 times better than the general stock market. Had you invested $10,000 in Southwest Airlines on December 31, 1972, it would have been worth $12 million by the end of 2002.

How did the 10x companies achieve such astounding results in such uncertain environments? Collins and Hansen's extensive research reveals **three core behaviors that set the 10x companies apart** from their comparison companies. Over the next three posts, I'll explore each of these behaviors.

The first behavior is FANATIC DISCIPLINE. Discipline is "consistency of action" (p. 23). It's not the same as regimentation, measurement, hierarchical obedience, or adherence to bureaucratic rules. "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" (p. 23).

The authors compared Fanatic Discipline to a 20 Mile March. Imagine you start in San Diego with a goal to march all the way to Maine. Your goal is to march 20-miles per day, everyday, regardless of the weather. You don't do less (you have ambition to achieve), and you don't overreach and do more (you have self-control to hold back). 10x companies identify what their 20-mile march is.

Collins and Hansen observe, "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" (p. 45). For example, despite all of the chaos in Southwest Airlines' environment, they generated a profit for 30 consecutive years. However, they were self-disciplined to "hold back in good times so as not to extend beyond its ability to preserve profitability and the Southwest culture" (p. 45).

So what does a good 20 Mile March look like? It has seven characteristics:

> **A 20 Mile March uses performance markers that delineate a lower bound of acceptable achievement.**
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> **A 20 Mile March has self-imposed constraints.**
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> **A 20 Mile March is tailored to the enterprise and its environment. There's no all-purpose 20 Mile March for all enterprises.**
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> **A 20 Mile March lies largely within your control to achieve.**
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> **A 20 Mile March has a Goldilocks time frame, not too short and not too long but just right. Make the timeline of the march too short, and you'll be more exposed to uncontrollable variability; make the timeline too long, and it loses power.**
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> **A 20 Mile March is designed and self-imposed by the**

> **enterprise, not imposed from the outside or blindly copied from others.**
>
> **A 20 Mile March must be achieved with great consistency. Good intentions do not count.**

Collins and Hansen observe that a 20-Mile March might be tied to earnings growth but it can also be tied to non-financial areas. For example:

> "A school might have a student-performance march. A hospital might have a patient safety march. A church might have a number-of-converts march. A government agency might have a continuous-improvement march. A homeless center might have a getting-people-housed march. A police department might have a crime-rate march. Corporations, too, can choose a non-financial march, such as an innovation march." (p. 51)

Stryker's 20 Mile March was 20% annual earnings growth and innovation via lots of product iterations and extensions. Intel's 20 Mile March was to double the complexity of components per integrated circuit at minimum cost every 18 months to two years. Microsoft's 20 Mile March was an innovation march that consisted of continuous iterations of software products.

Organizations can survive without a 20 Mile March when times are good. But failure to embrace a 20 Mile March in good times makes the organization that much more vulnerable during the bad times. Collins and Hansen observe, "The 20 Mile March helps you exert self-control in an out-of-control environment" (p. 61). A good 20 Mile March keeps you from over extending yourself and thus making you susceptible during an unexpected downturn.

In my next post, we'll explore the second behavior of the 10x companies. Until then, Collins and Hansen offer a concluding key question: **"What is your 20 Mile March, something that you commit to achieving for 15 to 30 years with as much consistency as Stryker, Southwest Airlines, Intel, and Progressive?"**