

GREAT BY CHOICE

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

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MAIN IDEA

Why do some companies thrive in conditions of extreme uncertainty, even chaos, while others do not?

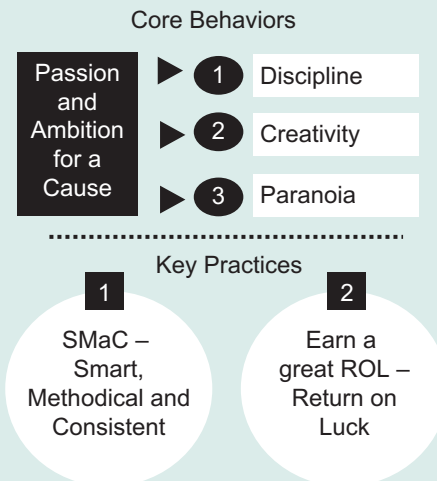
During an intensive nine year research program, an initial list of 20,400 public companies were whittled down using various criteria to come up with seven companies which performed superbly in extreme marketplace conditions. These companies – designated the “10X” companies because they beat the market averages by at least ten times – were then matched with comparison companies which operate in the same marketplace conditions and industries, to try and identify what the 10Xers did right.

So why did these companies thrive? In a nutshell, they accepted responsibility for their own fate and rejected the notion that outside forces would dictate their destiny. 10X companies used their ambition as their central motivating force and molded their own futures by applying three core behaviors:

- *Fanatical discipline* – 10Xers are utterly relentless and focused. They act unerringly in ways which are consistent with their values, goals and standards.
- *Empirical creativity* – in uncertain conditions, 10Xers don’t look for hunches. They search for empirical evidence of what works and build on that.
- *Productive paranoia* – 10Xers are hypervigilant, even when things are going well. They assume market conditions will turn against them at the worst possible moment and plan accordingly.

In addition to these three core behaviors, companies which thrive in chaos also engage in two key practices:

- They act in SMaC ways – they’re smart, methodical and consistent.
- They generate a great return on any luck which comes their way.



Introduction – Who are the 10X companies? Page 2

Core Behavior #1 – Fanatical discipline Page 3

10X companies display an exceptional level of consistent action. They do only those things which are aligned with their values, goals, performance standards and methods. In fact, 10X companies are utterly relentless and unbending in focusing on their quests.

Core Behavior #2 – Empirical creativity Page 4

When faced with uncertainty in the marketplace, 10X companies don’t apply conventional wisdom or look to others. Instead, they produce empirical evidence of the way forward. Once they’ve generated tangible evidence through observation and practical experimentation, they then ramp up what works.

Core Behavior #3 – Productive paranoia Page 5

10Xers are hypervigilant. Even when things are going well, they assume conditions will turn against them at the worst possible moment. They channel those fears into action by preparing contingency plans, by building buffers and by injecting large margins of safety into everything they do.

Key Practice #1 – SMaC – Smart, Methodical and Consistent Page 6

The more uncertain an environment appears to be, the more 10Xers apply smart, methodical and consistent business practices. 10Xers have a set of robust operating principles which generate a replicable and consistent success formula and stick with it. They validate what works and then amend their recipe one element at a time so they have specific, concrete and enduring practices.

Key Practice #2 – Earn a great ROL – Return on Luck Page 7

For 10Xers, the critical questions is not “Are you lucky?” Instead, the real question is “Do you get a high return on the luck you do enjoy?” 10Xers assume they will get a spate of bad luck and prepare for that ahead of time but they also position themselves to ride any good luck which comes their way as well. They know the very best way to generate good luck is to partner with the right people.

Summary – The leadership practices of 10X companies Page 8

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