

HDAA has started a library and we are getting in some books that are truly well worth the read. One that came through the mail last week was a book by Collins and Hansen called "Great by Choice". It offers insight into a way of thinking about continuous improvement – the following is an extract adapted from Fortune magazine:

## Twenty-Mile March – Organisational “Continuous Improvement”

How do some companies survive and prosper when others faced with the same conditions fail or at best stagnate? Jim Collins shares his thoughts in this article that was originally published by Fortune in October this year.



ILLUSTRATION: BRIAN STAUFFER

*Perhaps the most influential management thinker alive, Jim Collins addressed the reasons companies succeed and fail in bestselling books like “Good to Great” and “Built to Last”. In their new book, Great by Choice: Uncertainty, Chaos and Luck – Why Some Thrive Despite Them All, Collins and co-author Morten T. Hansen studied leadership in turbulent times, a topic they chose in 2002 that could not be more relevant today. Below, an excerpt:*

We cannot predict the future. But we can create it.

Think back to 15 years ago, and consider what's happened since, the destabilizing events – in the world, in your country, in the markets, in your work, in your life – that defied all expectations. We can be astonished, confounded, shocked, stunned, delighted, or terrified, but rarely prescient. None of us can predict with certainty the twists and turns our lives will take. Life is uncertain, the future unknown.

Jim Collins and Morten Hansen began a nine-year research project behind their book Great by Choice in 2002, when the world awoke from its false sense of stability, safety, and wealth entitlement. The long-running bull market crashed. The government budget surplus flipped back to deficits. The terrorist attacks of Sept. 11, 2001, horrified and enraged people everywhere, and war followed. Meanwhile, throughout the world, technological change and global competition continued their relentless, disruptive march. It led them to a simple question: Why do some companies thrive in uncertainty, even chaos, and others do not? When buffeted by tumultuous events, when hit by big, fast-moving forces that we can neither predict nor control, what distinguishes those who perform exceptionally well from those who underperform or worse?

Some companies and leaders navigate this type of world exceptionally well. They don't merely react; they create. They don't merely survive; they prevail. They don't merely succeed; they thrive. They build great enterprises that can endure.

To get at the question of how, Collins and Hansen embarked upon an ambitious journey to identify and study a select group of companies that had done just that. They 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. They then compared these companies to a control group of companies that failed to become great in the same extreme environments, using the contrast between winners and also-rans to uncover the distinguishing factors that allow some to thrive in uncertainty.



PHOTO: GREGG SEGAL

Jim Collins and co-author Morten T. Hansen (left)

From an initial list of 20,400 companies, they sifted through 11 layers of cuts to identify cases that met all their tests. Only seven did. They labelled high-performing study cases with the title "10X" because they didn't merely get by or just become successful. They truly thrived. Every 10X case beat its industry index by at least 10 times.

In one 10X case, Southwest Airlines. If you'd invested \$10,000 on Dec. 31, 1972 your \$10,000 would have grown to nearly \$12 million by the end of 2002, a return 63 times better than the general stock market.

These are impressive results by any measure, but they're astonishing when you take into account the roiling storms, destabilizing shocks, and chronic uncertainty of Southwest's environment. Meanwhile, Southwest's direct comparison, Pacific Southwest Airlines (PSA), flailed and was rendered irrelevant, despite having the same business model in the same industry with the same opportunity to become great.

Why did the 10X companies achieve such spectacular results, especially when direct comparisons – companies operating in the same fast-moving, unpredictable, and tumultuous environments – did not? Part of the answer lies in the distinctive behaviours of their leaders.

### Are you an Amundsen or a Scott?

In October 1911, two teams of adventurers made their final preparations in their quest to be the first people in modern history to reach the South Pole. For one team, it would be a race to victory and a safe return home. For the second team, it would be a devastating defeat, reaching the Pole only to find the wind-whipped flags of their rivals planted 34 days earlier, followed by a race for their lives – a race that they lost in the end, as the advancing winter swallowed them up. All five members of the second Pole team perished, staggering from exhaustion, suffering the dead-black pain of frostbite, and then freezing to death as some wrote their final journal entries and notes to loved ones back home. It's a near-perfect matched pair. Here we have two expedition leaders – Roald Amundsen, the winner, and Robert Falcon Scott, the loser – of similar ages (39 and 43) and with comparable experience. Amundsen and Scott started their respective journeys for the Pole within days of each other, both facing a round-trip of more than 1,400 miles into an uncertain and unforgiving environment, where temperatures could easily reach 20° below zero even during the summer, made worse by gale-force winds. And keep in mind, this was 1911. They had no means of modern communication to call back to base camp – no radio, no cell phones, and no satellite links – and a rescue would have been highly improbable at the South Pole if they screwed up. One leader led his team to victory and safety. The other led his team to defeat and death.



What separated these two men? Why did one achieve spectacular success in such an extreme set of conditions, while the other failed even to survive? It's a fascinating question and a vivid analogy for our overall topic. Here we have two leaders, both on quests for extreme achievement in an extreme environment. And it turns out that the 10X business leaders in our research behaved very much like Amundsen and the comparison leaders behaved much more like Scott.

#### The Colvin interview: Jim Collins in his own words

Amundsen and Scott achieved dramatically different outcomes not because they faced dramatically different circumstances. In the first 34 days of their respective expeditions, according to Roland Huntford in his superb book *The Last Place on Earth*, Amundsen and Scott had exactly the same ratio, 56%, of good days to bad days of weather.

If they faced the same environment in the same year with the same goal, the causes of their respective success and failure simply cannot be the environment. They had divergent outcomes principally because they displayed very different behaviours.

So, too, with the leaders in the Collins and Hansen research study.



Like Amundsen and Scott, their matched pairs were vulnerable to the same environments at the same time. Yet some leaders proved themselves to be 10Xers while leaders on the other side of the pair did not.

Let's first look at what they did not find about 10Xers relative to their less successful comparisons: They're not more creative. They're not more visionary. They're not more charismatic. They're not more ambitious. They're not more blessed by luck. They're not more risk-seeking. They're not more heroic. And they're not more prone to making big, bold moves. While 10Xers don't lack creative intensity, ferocious ambition, or the courage to bet big, so did their less successful comparisons.

So then, how did the 10Xers distinguish themselves? First, they embrace a paradox of control and non-control. On the one hand, 10Xers understand that they face continuous uncertainty and that they cannot control, and cannot accurately predict, significant aspects of the world around them. On the other hand, they reject the idea that forces outside their control or chance events will determine their results; they accept full responsibility for their own fate.

10Xers then bring this idea to life by a triad of core behaviours: fanatic discipline, empirical creativity, and productive paranoia. And they all led their teams with a surprising method of self-control in an out-of-control world.

### The 20-Mile March

Imagine you're standing with your feet in the Pacific Ocean in San Diego, looking inland. You're about to embark on a 3,000-mile walk, from San Diego to the tip of Maine. On the first day you march 20 miles, making it out of town.

On the second day you march 20 miles. And again, on the third day you march 20 miles, heading into the heat of the desert. It's hot, more than 100° F, and you want to rest in the cool of your tent. But you don't. You get up and you march 20 miles.

You keep the pace, 20 miles a day.

Then the weather cools, and you're in comfortable conditions with the wind at your back, and you could go much farther. But you hold back, modulating your effort. You stick with your 20 miles.

Then you reach the Colorado high mountains and get hit by snow, wind, and temperatures below zero – and all you want to do is stay in your tent. But you get up. You get dressed. You march your 20 miles.

You keep up the effort – 20 miles, 20 miles, 20 miles – then you cross into the plains, and it's glorious springtime, and you can go 40 or 50 miles in a day. But you don't. You sustain your pace, marching 20 miles.

And eventually, you get to Maine.

Now, imagine another person who starts out with you on the same day in San Diego. He gets all excited by the journey and logs 40 miles the first day.



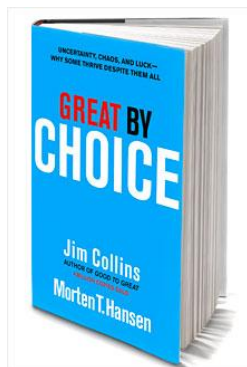
Exhausted from his first gigantic day, he wakes up to 100° temperatures. He decides to hang out until the weather cools, thinking; "I'll make it up when conditions improve." He maintains this pattern – big days with good conditions, whining and waiting in his tent on bad days – as he moves across the western United States. Just before the Colorado high mountains, he gets a spate of great weather and he goes all out, logging 40- to 50-mile days to make up lost ground. But then he hits a huge winter storm when utterly exhausted. It nearly kills him and he hunkers down in his tent, waiting for spring.

When spring finally comes, he emerges, weakened, and stumbles off toward Maine. By the time he enters Kansas City, you, with your relentless 20-mile march, have already reached the tip of Maine. You win, by a huge margin.

### Southwest's radical restraint

When they began their study, Collins and Hansen thought they might see 10X winners respond to a volatile, fast-changing world full of new opportunities by pursuing aggressive growth and making radical, big leaps, catching and riding the Next Big Wave, time and again. And yes, they did grow, and they did pursue spectacular opportunities as they grew. But the less successful comparison cases pursued much more aggressive growth and undertook big-leap, radical-change adventures to a much greater degree than the 10X winners. The 10X cases exemplified what Collins and Hansen came to call the 20-Mile March concept, hitting stepwise performance markers with great consistency over a long period of time, and the comparison cases did not.

The 20-Mile March is more than a philosophy. It's about having concrete, clear, intelligent, and rigorously pursued performance mechanisms that keep you on track. 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.



**Southwest Airlines**, for example, demanded of itself a profit every year, even when the entire industry lost money. From 1990 through 2003, the U.S. airline industry as a whole turned a profit in just six of 14 years. In the early 1990s it lost \$13 billion and furloughed more than 100,000 employees; Southwest remained profitable and furloughed not a single person. Despite an almost chronic epidemic of airline troubles, including high-profile bankruptcies of some major carriers, Southwest generated a profit every year for 30 consecutive years.

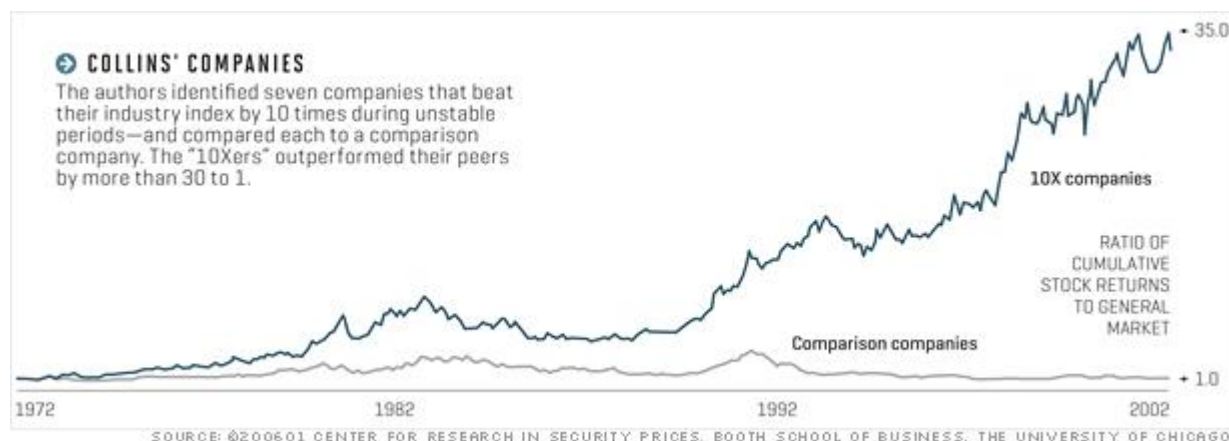
Equally important, Southwest had the discipline to hold back in good times so as not to extend beyond its ability to preserve profitability and the Southwest culture.

It didn't expand outside Texas until nearly eight years after starting service, making a small jump to New Orleans. Southwest moved outward from Texas in deliberate steps – Oklahoma City, Tulsa, Albuquerque, Phoenix, Los Angeles – and didn't reach the Eastern Seaboard until almost a quarter of a century after its founding. In 1996 more than 100 cities clamoured for Southwest service. And how many cities did Southwest open that year? Four.

At first glance, this might not strike you as particularly significant. But stop to think about it. Here we have an airline setting for itself a standard of consistent performance that no other airline achieves. Anyone who said they'd be profitable every year for nearly three decades in the airline business – the airline business! – would be laughed at. No one does that. But Southwest did. Here also we have a publicly traded company willing to leave growth on the table. How many business leaders of publicly traded companies have the ability to leave gobs of growth on the table, especially during boom times when competitors do not leave growth on the table? Few, indeed. But Southwest did that too.

Some people believe that a world characterized by radical change and disruptive forces no longer favors those who engage in consistent 20-Mile Marching. Yet the great irony is that when Collins and Hansen examined just this type of out-of-control, fast-paced environment, they found that every 10X company – unlike their less-successful peers – exemplified the 20-Mile March principle during the era they studied.

The 20-Mile March imposes order amid disorder, consistency amid swirling inconsistency. But it works only if you actually achieve your march year after year. If you set a 20-Mile March and then fail to achieve it – or worse, abandon fanatic discipline altogether – you may well get crushed by events.



### Why 20-Mile Marchers win

Twenty-Mile Marching helps turn the odds in your favour for three reasons. First, it builds confidence in your ability to perform well in adverse circumstances. Confidence comes not from motivational speeches, charismatic inspiration, wild pep rallies, unfounded optimism, or blind hope. Taciturn, understated, and reserved, John Brown at Stryker avoided all of that. Stryker earned its confidence by actual achievement, accomplishing stringent performance standards year in and year out, no matter the industry conditions. Accomplishing a 20-Mile March, consistently, in good times and bad, builds confidence. Tangible achievement in the face of adversity reinforces the 10X perspective: We are ultimately responsible for improving performance. We never blame circumstance; we never blame the environment.

Second, 20-Mile Marching reduces the likelihood of catastrophe when you're hit by turbulent disruption. In a setting characterized by unpredictability, full of immense threat and opportunity, you cannot afford to leave yourself exposed to unforeseen events. If you're hiking in the warm, comfortable glow of a spring day on a nice, wide, wandering trail near your home, you can overextend yourself and you might need to take two Advil to soothe your sore muscles when

you're done. But if you're climbing in the Himalayas or journeying to the South Pole, going too far can have much more severe consequences from which you might never recover. You can get away with failing to 20-Mile March in stable times for a while, but doing so leaves you weak and undisciplined, and therefore exposed when unstable times come. And they will always come.

Third, 20-Mile Marching helps you exert self-control in an out-of-control environment.

On Dec. 12, 1911, Amundsen and his team reached a point 45 miles from the South Pole. He had no idea of Scott's whereabouts. Scott had taken a different route slightly to the west, so for all Amundsen knew, Scott was ahead of him. The weather had turned clear and calm, and sitting high on the smooth Polar Plateau, Amundsen had perfect ski and sled conditions for the remainder of the journey to the South Pole. Amundsen noted, "Going and surface as good as ever. Weather splendid – calm with sunshine." His team had journeyed more than 650 miles, carving a path straight over a mountain range, climbing from sea level to over 10,000 feet. And now, with the anxiety of "Where's Scott?" gnawing away, his team could reach its goal within 24 hours in one hard push. And what did Amundsen do? He went 17 miles.

Throughout the journey, Amundsen adhered to a regimen of consistent progress, never going too far in good weather, careful to stay far away from the red line of exhaustion that could leave his team exposed, yet pressing ahead in nasty weather to stay on pace. Amundsen throttled back his well-tuned team to travel between 15 and 20 miles per day, in a relentless march to 90° south. When a member of Amundsen's team suggested they could go faster, up to 25 miles a day, Amundsen said no. They needed to rest and sleep so as to continually replenish their energy.

In contrast, Scott would sometimes drive his team to exhaustion on good days and then sit in his tent and complain about the weather on bad days. In early December, Scott wrote in his journal about being stopped by a blizzard: "I doubt if any party could travel in such weather." But when Amundsen faced conditions comparable to Scott's, he wrote in his journal, "It has been an unpleasant day – storm, drift, and frostbite, but we have advanced 13 miles closer to our goal." Amundsen clocked in at the South Pole right on pace, having averaged 15½ miles per day.

Like Amundsen and his team, the 10Xers and their companies use their 20-Mile Marches as a way to exert self-control, even when afraid or tempted by opportunity. Having a clear 20-Mile March focuses the mind; because everyone on the team knows the markers and their importance, they can stay on track. While it is not the only leadership method Collins and Hansen found in their research – *Great by Choice* delineates fully six sets of findings – 20-Mile March is the crucial starting point.

Customers are out of your control. Earthquakes are out of your control. Competition is out of your control. Technological change is out of your control. Most everything is ultimately out of your control. But when you 20-Mile March, you have a tangible point of focus that keeps you and your team moving forward, despite confusion, uncertainty, and even chaos.

*This article is adapted from the October 17, 2011 issue of Fortune*