



# Great by Choice

By

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## “Must Read” Research

In the “twenty-O’s” decade, many people called **Good to Great** by Jim Collins the new century’s best business book. Backed by five years spent pouring over more than 30 years data, Collins provided page after page of insights into how a mediocre company can become great.

Now, Collins, in collaboration with Harvard professor Morten T. Hansen, may provide this decade’s best business book, **Great by Choice**. Backed by eight years of research, **Great by Choice** examines seven companies in turbulent industries that outperformed the U.S. stock market by at least ten fold (10x) for a 30 year period. This book is a “must read” for anyone who wants to keep up on the latest management thinking.

## 10x Performance

As we would expect, the list includes some biotechnology and computer companies. However, a bigger surprise is that Southwest Airlines’ performance blows them all away, beating market performance by 63 times and more than tripling Intel’s stock performance.

How could an airline thrive in such turbulent times? Collins and Hansen conclude it was not innovation. Southwest directly and deliberately copied Pacific Southwest Airlines (PSA). Yet PSA eventually merged into U.S. Airways while Southwest thrived<sup>1</sup>. How did they do it?

The research concludes the difference was discipline.

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<sup>1</sup> Some of the companies Collins profiled in **Built to Last**, **Good to Great** and **Great by Choice** later changed their management teams or management practices and no longer had great performance. Collins discusses the reasons why in his 2009 book **How the Mighty Fall**.

## Management Myths

*Great by Choice* dispels several entrenched management myths:

**Myth:** Successful leaders in a turbulent world are bold risk-takers.

**Reality:** Even the best leaders could not predict the future and avoided bold risks. They were more disciplined, more empirical and more worried about how future events could hurt them.

**Myth:** Innovations distinguish 10x companies.

**Reality:** 10x companies were often less innovative than their lesser performing peers.

**Myth:** A threat-filled world favors the speedy.

**Reality:** Fast decisions and fast action can kill you faster. 10x leaders knew when to go fast and when not to.

**Myth:** Radical change in your environment requires radical change inside the company.

**Reality:** 10x companies believed most changes in their environment were just noise. These companies studied issues carefully before making changes.

**Myth:** Great companies have a lot more good luck.

**Reality:** The 10x companies did not have unusual amounts of good luck. However, they were much better prepared for *bad* luck than their peers.

## SMaC Recipe

The 10x companies developed what the authors call a SMaC recipe. SMaC stands for **S**pecific, **M**ethodical and **C**onsistent. Like the core values which Collins and Jerry Porras found visionary companies had in their *Built to Last* research, SMaC recipes are standard operating procedures. Unlike core values, the 10x companies sometimes changed their SMaC recipes. However, they changed them far less than their mediocre-performing peers.

## Important Research

As you have seen in these few paragraphs, Collins and Hansen gained many new insights into business behavior, building on Collins previous research. The sum of all

business knowledge is rapidly growing. Will you choose to keep up by reading **Great by Choice**?

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You can find Mr. Daly's list of 22 recommended business books at <http://www.executiveeducationinc.com/resources.shtml>