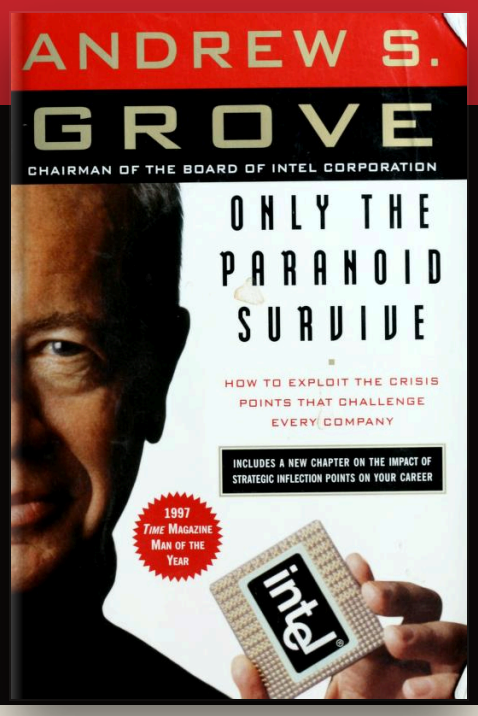


ANDREW S. GROVE

CURRENCY DOUBLEDAY · 1996

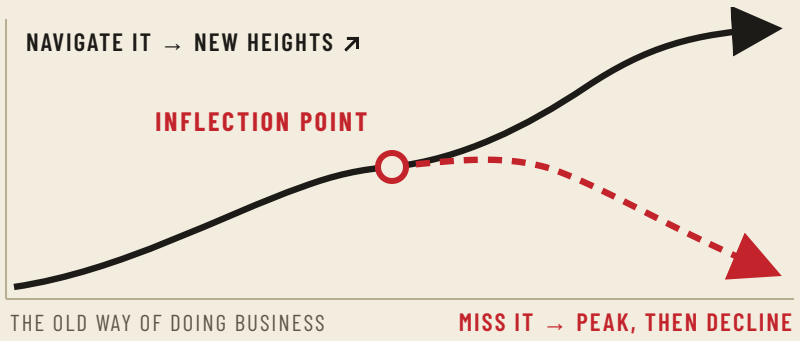
ONLY THE PARANOID SURVIVE

HOW TO EXPLOIT THE CRISIS POINTS THAT CHALLENGE EVERY COMPANY AND CAREER

"Business success contains the seeds of its own destruction."
PREFACE

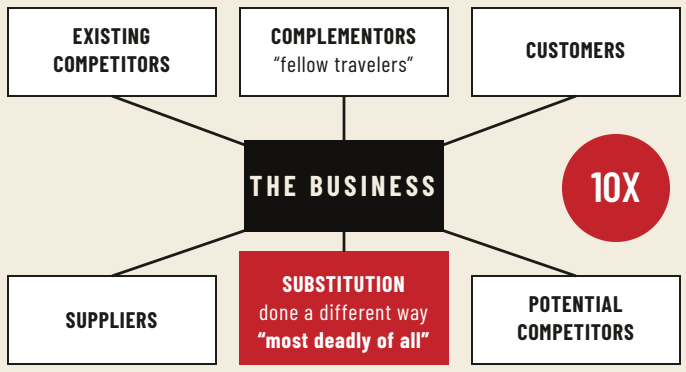
1 THE STRATEGIC INFLECTION POINT

"A time in the life of a business when its fundamentals are about to change." It can lift you to new heights, or it can mark *"the beginning of the end."*



"A point where the curve has subtly but profoundly changed, never to change back again." Only the start and the end are clear; the transition between is *"gradual and puzzling."* And the word "point" misleads: *"It's not a point; it's a long, torturous struggle."*

2 THE "10X" FORCE



Six forces shape every business: Porter's five plus Grove's addition, **complementors** (*"Cars need gasoline; gasoline needs cars"*). When one force grows *"an order of magnitude larger than what that business is accustomed to, then all bets are off."* *"There's wind and then there's a typhoon."* Grove's cases: Wal-Mart arriving in small towns, sound killing silent film, containerization remaking ports.

3 SIGNAL OR NOISE?

They rarely arrive with a bang; they *"approach on little cat feet."* There is no surefire formula, so ask Grove's three questions:

1. **THE SILVER BULLET TEST.** With one bullet, which competitor would you save it for? When the answer stops being crystal clear, sit up.
2. **IS YOUR KEY COMPLEMENTOR CHANGING?** Is the partner who mattered most looking less important?
3. **ARE GOOD PEOPLE "LOSING IT"?** Maybe they haven't changed; the "it" has changed around them.

Listen to your **Cassandras**, the middle managers who cry out early: *"snow melts first at the periphery."* Don't judge a technology by its first crummy version; picture it 10X better.


MID-1985 · THE FERRIS WHEEL OUTSIDE GROVE'S WINDOW

4 "WHY NOT DO IT OURSELVES?"

Intel had pioneered memory chips, then lost a year and a lot of money to Japanese rivals with better quality and lower prices. *"We were wandering in the valley of death."* Grove looked out at the Great America Ferris wheel and turned to chairman Gordon Moore:

> **GROVE** *"If we got kicked out and the board brought in a new CEO, what do you think he would do?"*
>
> **MOORE** *"He would get us out of memories."*
>
> **GROVE** *"Why shouldn't you and I walk out the door, come back and do it ourselves?"*

The front line had already moved: only **one of eight** fabs still made memories. Customers met the exit with *"a big yawn."* *"People who have no emotional stake in a decision can see what needs to be done sooner."* By 1992 Intel was the world's largest semiconductor company.

1994 · THE PENTIUM FLAW

$475M WRITE-OFF

A division error striking **once every nine billion times** (once in 27,000 years for a typical spreadsheet user) became half a billion dollars of damage in under six weeks.

The statistics were right, but the customer had changed: "Intel Inside" had made computer users Intel's customers. Their message: *"Where do you get off telling us what's good for us?"*

"I was one of the last to understand the implications of the Pentium crisis."

5 CROSSING THE VALLEY OF DEATH

Like riders in an old western crossing hostile land: you can't see the destination, and you can't turn back. *"You march in, knowing full well that some of your colleagues will not make it across."* First come denial and escape (acquisitions, boards, pet projects), the **inertia of success**, and **strategic dissonance**: what you say and what you do drift apart.

PHASE 1 LET CHAOS REIGN

- *"Loosen up the level of control."* Try new techniques, products, sales channels, customers.
- Listen for *"But how can we say 'X' when we do 'Y'?"*: a tip-off that the ground is moving.
- Debate broadly and across ranks. Data describe the past; inflection points are about the future.

PHASE 2 REIN IN CHAOS

- *"Exquisitely clear marching orders."* One phrase everyone remembers, including what you will *not* be: **"Intel, the microcomputer company."**
- Move money, your best people and your own time. With Mark Twain: *"Put all of your eggs in one basket and WATCH THAT BASKET."*
- *"Hedging is expensive and dilutes commitment."*

WHEN TO MOVE RESOURCES

TOO EARLY	RIGHT	TOO LATE
old task unfinished	old business still strong	decline may be irreversible

Act while the old business still forms a **protective bubble**. *"The consequences of being early are less onerous than the consequences of being late."*

6 USE IT MONDAY

1. **Run the silver bullet test** with your team. Has the target moved?
2. **Scan all six forces for a "10X" shift**, especially a new way of doing what you do.
3. **Go to the periphery.** Ask frontline staff, customers you may lose and outsiders questions; hear out the Cassandras without arguing.
4. **Draw your industry map on paper** and test it on colleagues; mental maps forgive too much ambiguity.
5. **Audit your calendar.** Will this meeting teach me the new thing, connect me to people for it, or signal its importance? If not, skip it. *"It starts with your calendar."*
6. **Write the one phrase** for where you are going, and what you won't do.
7. **Fund a team to attack your own strategy.** *"Let them be our own Cassandras."*
8. **Run your career like a business**: *"You have one employee: yourself."*

7 AGAINST THE GRAIN

- × **Fear can be good.** Against Deming, Grove says *"fear can be the opposite of complacency."* Fear of losing, yes; fear of punishment, never. Don't *"shoot the messenger."*
- × **Argue with the data.** In emerging trends, anecdotes and instinct can beat extrapolation.
- × **The boss is the last to know.** News reaches the CEO's *"fortified palace"* late; real strategy forms in middle managers' resource calls.
- × **"Vision" is "too lofty."** Define the focus, and what you'll stop.
- × **Any clear direction beats none.** *"It doesn't even have to be the best direction—just a strong, clear one."*
- × **New era, new managers.** *"You can't change a company without changing its management"*: relearn, or step aside.

8 HANDLE WITH CARE

- ! Grove admits there is **no surefire formula** for telling signal from noise; some warnings are false and Cassandras cost time.
- ! The memory exit took **three years**, *"long and arduous—and wasteful."* Grove admits he was guilty of the *"too-little-too-late syndrome."*
- ! Chaos is *"awfully inefficient and wearing."* Let it run, then end it.
- ! Moving early has risks too: you may respond to *"an inflection point that isn't one,"* or leave the old task *"only 80 percent finished."*
- ! Written in 1996: the examples are dated, and its final chapter weighs the young Internet as signal or noise. Keep the method, not the era.

"Most companies don't die because they are wrong; most die because they don't commit themselves."
CHAPTER 8 · REIN IN CHAOS

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