

## Book Review

### **Only the Paranoid Survive: How to Explore the Crisis Points that Challenge Every Company and Career**

**Author: Andrew S. Grove**

**First published in Great Britain in 1997 by HarperCollins Business Profile Books, 2022; ISBN 978-1-800810624**

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Andrew S. Grove was the CEO of Intel, the company's third employee and 'the best manager in the world' listed by Fortune. Under his leadership, Intel was transformed to be the 7th most profitable company among the Fortune 500. He was the "1997 Time Magazine Man of the Year" (Isaacson, 1997). Admired by Steve Jobs and Bill Gates, his competence and talents have shaped the world of computing and continue to influence business leaders in the 21<sup>st</sup> century. This book is listed as 'the best book on business' by Forbes.

In this book, Grove expounds how Intel navigated a rapidly changing computer industry. Drawn from his direct, extensive experience as CEO of Intel, Grove illuminates how businesses respond to dynamic and unpredictable change by explaining the concept of strategic inflection points. In addition, Grove proposes possible business solutions, discussing how business leaders can identify potential solutions and implement strategies accordingly. Overall, this book consists of nine chapters:

Chapter 1: Something Changed

Chapter 2: A "10X" Change

Chapter 3: The Morphing of the Computer Industry

Chapter 4: They're Everywhere

Chapter 5: "Why Not Do It Ourselves?"

Chapter 6: "Signal" or "Noise"?

Chapter 7: Let Chaos Reign

Chapter 8: Rein in Chaos

Chapter 9: The Internet: Signal or Noise?

#### **Review:**

This book firstly sheds light on strategic inflection points. "A strategic inflection point is a time in the life of a business when its fundamentals are about to change. That change can mean an opportunity to rise to new heights" (p. 3). In other words, strategic inflection points bring about major fundamental changes that are difficult to fully plan for, at least formally. This underlines that we should examine how we, our teams, and our businesses can best respond to change. The whole book is about the impact of changing rules and finding the way out in unknown territories.

In Chapter 1, Grove narrates how Intel responded to an unpleasant piece of news from CNN regarding the floating-point flaw in the Pentium processor, and how this unpleasant issue brought about a major change in Intel; finally, Intel completely changed their policy to cope with the problem. For Grove, to cope with crisis, "the old rules of business no longer worked" (p.20). Rather, new rules became powerful enough to force

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the organization to take actions that could save nearly half a billion dollars. Thus, the ability to recognize the changing phenomena and take appropriate action before collapse, became vital for the business.

In Chapter 2, Grove came up with the Six Forces Diagram based on Porter's five forces model proposed by Michael Porter in 1979. This Six Force Diagram is an extension of the five force model, adding the force of complementors, which provides a holistic evaluation of an industry. The forces are:

- 1) The power, vigor, and competence of a company's existing competitors.
- 2) The power, vigor, and competence of a company's suppliers.
- 3) The power, vigor, and competence of a company's customers.
- 4) The power, vigor, and competence of a company's potential competitors.
- 5) The possibility that your product or service can be built or delivered differently.
- 6) The power, vigor, and competence of a company's complementors.

Grove adds the force of complementors to Porter's five force model, calling them 'fellow-travelers'. For example, cars need gasoline, and gasoline needs cars. Computers need software, and software need computers.

In addition, Grove adds the "10X Force" concept to the Six Forces Diagram, meaning that "such a very large change in one of these six forces leads to a 10X change, suggesting that the force has become 10 times what it was just recently". Since then on, Intel's 10X Force Pivot began and has become the most successful company in the field of microprocessors.

In Chapter 3, Grove noted that the most challenging task to tackle is when one of these forces becomes so powerful that it changes the very nature of how business is done in an industry. He uses the example of how the computer industry was transformed from the old vertical industry (before the strategic inflection point) to the new horizontal industry. Accordingly, he lists three rules of being successful in horizontal industry.

Rule 1: Do not differentiate without a difference.

Rule 2: Grab the opportunity whenever it comes.

Rule 3: Price for what the market will bear, price for volume, then work like the devil on your costs so that you can make money at that price.

In Chapter 4, by illustrating 10X changes with a constellation of examples including Wal-Mart, Apple, Airlines, telecommunication, patent medicines, etc., Grove indicates that strategic inflection points are in fact common. They are not a phenomenon of the high-tech industry, nor are they something that only happens to other people. Strategic inflection points come with different forms but similar characteristics.

In Chapter 5, Grove narrates the story of chip crisis and articulates that "managing, especially managing through a crisis, is an extremely personal affair" (p. 81). A strong and positive corporate culture, competent employees and well-designed infrastructure are desirable, to lead the organization out of the crisis.

In Chapter 6, the key issue is how we know whether a change signals a strategic inflection point, as changes in today's business emerge all the time. The answer from Grove is that the only way to detect a strategic inflection point is through the process of clarification, which comes from broad and intensive debate. This debate should consist of technical discussion, marketing discussion (is it a fashion fling or is it a business?), and considerations of strategic repercussions (how will it affect our microprocessor business if we make a dramatic move or if we don't?). In addition, the debate should welcome outsiders of the company, including customers and partners who could provide different ideas and show different interests.

In Chapter 7, Grove explains that to successfully deal with a strategic inflection point, confusion, uncertainty and disorder are inevitable. Resolution emerges from experimentation, indicating that we should keep trying and

learning. Only by jumping out of stereotypes can we have new insights. Grove emphasizes overcoming ‘the Inertia of Success’ and ‘Strategic Dissonance’ where actions and strategy do not align, this is also critical to the company.

In Chapter 8, Grove expounds that clarity of direction, including describing what we are pursuing and describing what we are not pursuing; this is very important in the later stages of strategic transformation. Also, the management should learn to adjust to the new. The "old way" must make way for the new way, and teams will learn about this new scenario sooner, which helps them to address priorities faster (Bhanudas, 2020).

In the last chapter, Grove sheds light on the importance of the internet. He underlines the pros and cons of the Internet for the telecommunications industry and urges that in the face of every change, we must be mentally prepared and constantly adjust and improve ourselves in practice in order to successfully pass the strategic inflection point.

In summary, in the ever-changing business competition, coping with every crisis with a positive attitude is desirable for a company to maintain a competitive advantage. The occurrence of each crisis also heralds the arrival of a strategic inflection point. Therefore, in order to successfully pass through this strategic inflection point, we should not fight unprepared. Usually, we should have a sense of crisis in the internal and external environment, to constantly improve and perfect the management mechanisms, create a positive and cohesive corporate culture, encourage the company and employees to constantly try new things and keep learning, and to establish a corresponding crisis handling mechanism at the same time. Only in this way can we remain invincible.

This book is worth reading by everyone, especially business leaders, policy makers, and academics. For example, this book can be a reading material for management students, or it may be used as a reference for business leaders who are inspired to establish a crisis management team to cope with uncertainty.

*Main contents are extracted from Only the Paranoid Survive: How to Explore the Crisis Points that Challenge Every Company and Career, by Andrew S. Grove (Profile Books, 2022).*

## References

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