

Analysis of the lessons to be learned from the decline of formerly 'Great' companies by Jim Collins the author of Built to Last & Good to Great

Key Lessons -

Great companies can stumble badly and recover

There's always the chance of random catastrophe **but** organisational decline is largely self-inflicted

Recovery is within our control - *'we are freed by our choices'*

Never give up on your core values

Overview

**How the Mighty Fall
by Jim Collins**

Random House
ISBN 9781847940421

The 5 Stages of Decline

1 **Hubris Born of Success**

- Arrogance
- 'We're so great we can do anything'*
- Believe that success is an entitlement
- 'What' replaces 'why'
- Understand *why* they do things
- Decline in learning in the organisation
- Fail to acknowledge the role luck may have played

2 **Undisciplined Pursuit of More**

- Unsustainable quest for growth
- Confusing big with great - growth for its own sake
- Undisciplined leaps
- Declining % of right people in key roles
- Easy cash not cost discipline
- Bureaucracy subvert discipline
- Poor succession planning
- Personal interests placed above organisation

3 **Denial of Risk & Peril**

- Amplify the positive
- Discount negative data
- Undertake high risks based on poor quality data
- Vigorous, fact based dialogue disappears
- Erosion of healthy team dynamics
- Externalising blame
- Obsessive reorganisations
- Imperious detachment - don't confront reality

4 **Grasping for Salvation**

- Looking for quick fixes
- Grasping for heroic leader
- Panic and haste
- Radical change
- Bold untested strategy
- Revolution with fanfare
- Hype precedes results
- Disappointments follow initial upswing
- Confusion & Cynicism
- Chronic restructuring
- Erosion of financial strength

5 **Capitulation to Irrelevance or Death**

- Financial strength has eroded
- Cash Tightens - borrowings soar
- Hope Fades
- Capitulation
- Run out of options
- Sell out, insignificance or death

or Well Founded Hope - Recovery & Renewal

- Refusal to give up on the idea of ultimate triumph
- 'A crisis is a terrible thing to waste'*
- Rebuild step by step
- Return to sound management practices
- Passionate adherence to management disciplines