

How the Mighty Fall

By Jim Collins

The five stages of Decline

1. Hubris Born of Success
2. Undisciplined Pursuit of More
3. Denial of Risk and Peril
4. Grasping for Salvation
5. Capitulation to Irrelevance or Death

Hubris Born of Success

- Arrogant neglect
- Confusing What is done with Why things are done
- Neglect of your Primary Flywheel (what has driven success)
- Decline in learning orientation
- Discounting the role of Luck (it is always there)

Undisciplined Pursuit of More

- Overreaching, not complacency
- Obsessed with Growth (under promise, over deliver)
- Packard's Law: Great companies are more likely to die of indigestion from too much opportunity, than to starve from too little
- Have the right people in the right seats before proceeding
- Problematic succession of power (succession plan)
- Easy cash erodes discipline
- Bureaucracy subverts discipline
- Personal interests supersede organizational interests
- Undisciplined discontinuous leaps lead to disaster

Denial of Risk and Peril

- Big bets in the face of mounting evidence to the contrary
- Taking risks below the waterline: Incurring downside risk based on ambiguous data (Challenger disaster)
- Culture of denial – discounting negative information
- Erosion of healthy team dynamics
- Externalizing blame
- Obsessive reorganizations
- Imperious detachment

Grasping for Salvation

- Searching for a silver bullet – example: a leader as a savior
- Panic and desperation – example: confusion and cynicism
- Chronic restructuring
- Radical change with fanfare – example: hype precedes results

What makes for the right people?

1. They fit the company's core values
2. They don't need to be tightly managed
3. They have responsibilities, not jobs
4. They fulfill their commitments
5. They are passionate about the company and its work
6. They 'window & mirror' responsibility – credit others, but take the blame

Good to Great Framework

1. Level 5 leadership
 - a. Ambitions for cause & organization, not themselves
 - b. Right people in seats – first who, then what
2. Disciplined thought
 - a. Confront brutal facts of reality, with faith you can/will prevail
 - b. Hedgehog concept
 - i. What you can be best in the world at
 - ii. What you are passionate about
 - iii. What best drives economic/resource engine of company
4. Disciplined action
 - a. Culture of Discipline – operating with freedom within a framework of responsibilities
 - b. Flywheel – focus on repeatedly acting on the company key driver
5. Clock building, not time telling
 - a. Continuity and consistency
 - b. Preserve the core, stimulate progress – be unafraid to change while holding key values constant