

Brief

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***How the mighty fall* - Jim Collins' book on the risk of decline facing all large, successful organisations from hubris, the undisciplined pursuit of more, and the denial of peril**

The dark side of *Built to Last* is about decline that can happen at any time

How the Mighty Fall is Jim Collins “going on the dark side” after his admired bestsellers *Good to Great* and *Built to Last*. This short and enjoyable book analyses and describes five stages that ‘mighty’ companies go through as they fall. A crisis is a terrible thing to waste (as he quotes Merck CEO Dick Clark), and Collins uses the banking collapse as a prompt to re-visit his previous research data to see what he can learn. From his past sample of sixty companies, he bases his book on eleven big ones that fell.

Quoting Tolstoy “All happy families are alike; each unhappy family is unhappy in its own way”, he finds creating a data-driven framework for descent is harder than it is for success. He explains that while his analysis is based on clear correlations of data, he has not identified the root causes of failure. The book will help diagnose, very effectively, if your company is in decline. It will not tell you why, or what to do about it.

The five stages of decline

Stage 1 Hubris born of success: where a company stops understanding what is driving success and starts behaving as if it is guaranteed.

Stage 2 Undisciplined pursuit of more: where – in the pursuit of success – companies over-reach themselves by doing more of what they see as the successful things, at the expense of the disciplined creativity and execution that underpinned previous growth.

Stage 3 Denial of risk and peril: where the warning signs start to mount, but there are still enough successful results to ‘explain away’ problems or blame external factors.

Stage 4 Grasping for salvation: where CEOs are sacked and replaced with charismatic outside saviours, where ‘transformational’ acquisitions or other silver bullets are pursued and touted.

Stage 5 Capitulation to irrelevance or death: where the cash runs out, the debts crush the assets and hope for recovery is abandoned.

How to recover

He claims that it is possible to come back to success from as late as stage 4 - and cites Disney, IBM and HP as examples. He cites the example of Anne Mulcahy's rescue of Xerox (and points out that her favourite story is of Shackleton's miraculous escape against all odds in 1916). He then explains that he is in the middle of researching how to recover - and more will be published in due course.

As in his previous books, Collins reinforces the importance of being continually evidence-based, being open to feedback and ensuring data-driven debate. He is also persuasive on the importance of growing your own talent and managing effective successions. Another recurring theme is how evolving and incremental change is better than discontinuous or ‘big’ change. He also asserts that decline is self-inflicted, avoidable, and can be reversed. He does not really explain how.

Collins leaves us with the advice of Churchill that the strongest answer is to “never give in”.