

# **HOW THE MIGHTY FALL**

## **And Why Some Companies Never Give In**

**JIM COLLINS**

**JIM COLLINS** has researched companies over the past decade. He studies how companies grow, how they achieve superior performance and how good companies make the transition to greatness. His research findings have been documented in four books he has authored or co-authored including *Built to Last* and *Good to Great*. He is the founder of a business management laboratory. Dr. Collins is a graduate of Stanford University in addition to holding honorary doctorates from the University of Colorado and Claremont Graduate University.

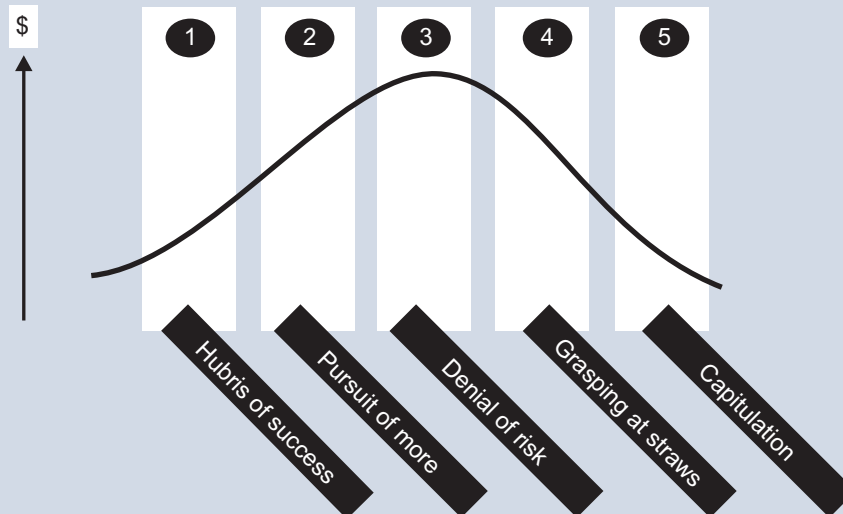
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**MAIN IDEA**

Why is it that sometimes, previously successful companies stumble and fail? Recent events in the financial markets have shown that no matter how great your organization is at the present time or has been in the past, it's not inevitable that you will automatically remain strong forever. Anyone can fall – and most eventually do. To stave off that decline, you need to be picking up on the early warning signals and reverse your course while you still have time and resources to act.

In particular, corporate and institutional decline tends to follow a well mapped five stage process like this:



If you are aware of the five stages of corporate decline which companies always tend to move through in sequence and pick up on the subtle clues which may be arising in your organization at the present time, you can get to work applying the brakes early and reverse course. Above all, you can avoid self-inflicted decline.

*“Whether you prevail or fail, endure or die, depends more on what you do to yourself than on what the world does to you.”*  
– Jim Collins

**Stage 1 – Hubris of success** . . . . . Page 2

When companies are in rapid growth mode, they can sometimes get insulated by success. After a while, leaders start believing their own PR and then lose touch with customers. Arrogance kicks in when companies lose sight of what factors generated success in the first place, especially luck.

**Stage 2 – Pursuit of more** . . . . . Page 3

After a company has been a success for a while, leaders start trying to achieve more scale, more growth and more revenues. That’s fine, but all too often this pursuit of more is undisciplined. The company starts overreaching into areas where it has no genuine competitive advantage.

**Stage 3 – Denial of risk** . . . . . Page 4

When revenue growth starts flattening out, there is a tendency to explain away poor periods as aberrations. When reality finally dawns, some leaders respond by taking outlandish risks and then acting in ways which denies the consequences of those risks.

**Stage 4 – Grasping at straws** . . . . . Page 5

By the time an enterprise is in sharp decline, the problems become visible to all. Leaders usually try and get back to basics by reinvigorating the disciplines which brought about greatness in the first place. Unfortunately, these dramatic initiatives, although well intended, generally fail.

**Stage 5 – Capitulation** . . . . . Page 6

As an organization approaches the end of its life cycle, leaders are forced to abandon all hope of ever being able to build a brighter future. The leaders either sell out or the organization as a whole atrophies into marketplace insignificance. Financial strength and individual spirit have been eroded.

**The Way Out** . . . . . Pages 7 - 8

The more you understand the ways in which greatness can be lost, the better equipped you become to learn from others and avoid repeating their mistakes. Just because you’ve made mistakes and fallen into the early stages of decline, your organization’s fate is not set in stone. Get to work rebuilding a great organization which will be worthy of enduring greatness.

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