

Jim Collins | Executive Summary

How the mighty fall is a little bit like a staged disease, such as cancer. Unfortunately, with a disease like cancer you can look good on the outside but be unhealthy on the inside. Early on, symptoms are hard to detect but when found, they can be treated and the disease cured. In the later stages, the symptoms are much easier to detect, but it's much more difficult to cure the cancer. In the five stages of organizational decline, you don't visibly fall until stage four. You pass through the first three stages outwardly looking healthy, strong, and in ascent.

However, there's one giant difference between the stages of organizational decline and a disease like cancer. Cancer is not self-inflicted whereas in our study of great enterprises that fell, the stages of decline were self-inflicted. Whether you prevail or fail, endure or die through this lens depends more on what you do to yourself than what the world does to you.

Five Stages of How the Mighty Fall

Stage One: Hubris Born of Success

Success doesn't necessarily carry the seeds of failure, but hubris born of success does. When success leads to arrogance, this is the real precursor to falling.

A signature of the great executives who sustain organizations is their humility. Humility defined as an absolute burning, passionate, and compulsive ambition, but not for themselves—for the cause, for the company, for the values, and for the work.

Stage Two: Undisciplined Pursuit of More

Complacency causes falls, but that's not how the mighty fall. Hubris leads them to go too far, to overreach.

How do you know if you're going too far? I believe there are very few laws of management, but here's one I believe exists: If you allow growth and revenues to exceed your ability to have key seats filled with the right people, then you will fall.

Our data shows very clearly that the people who built great companies understood that it all begins with people. Remember the finding from *Good to Great*, the companies did not set a great vision and motivate a bunch of people to go there. No, they first got the right people on the bus, the wrong people off of the bus, and the right people in the key seats, and then they figured out where to drive the bus.

Stage Three: Denial of Risk and Peril

In Stage Two, everybody thinks you're great. Then, warning signs begin to accumulate on the horizon. Numbers go down, and risks show signs of not paying off. In Stage Three, although everything looks fine on the outside, there are warning signs internally, and you deny them.

The ability to combine faith and facts is key to leading through Stage Three. Begin by facing all of the brutal facts beyond your control, but marry that practice with an unwavering faith that you will prevail anyway.

Stage Four: Grasping at Salvation

During Stage Four, something happens, and you actually fall. You're being pulled down by gravity. You and everyone else can see it, and you no longer can deny it. But that's not what defines Stage Four. Stage Four is determined, not in falling, but in how you respond.

When you respond to falling by looking for the next silver bullet, you may produce an initial burst of hope, but your solution won't have staying power. Nothing will erode people's faith quicker than false hope dashed by reality over and over again. Greatness never gets built with a single event, leader, or program. You push and push and push the flywheel until finally you get one creaking turn. Then, you keep pushing in an intelligent and consistent direction until you get two turns, then four, then eight and until eventually the flywheel has tons of momentum.

Sam Walton did not add his second drugstore until seven years after starting his company. Starbucks didn't add its fifth store until 13 years into its history. In truth, most "overnight" success stories are about twenty years in the making.

Stage Five: Capitulation to Irrelevance or Death

Seeing that some of the most powerful enterprises ever built went into Stage Five should give us tremendous humility. Just because we haven't yet fallen yet doesn't mean we will not. When you reach stage five, you've passed the point of no return.

All great institutions at their core are built upon a purpose beyond making money and a set of core values that are not open for negotiation and act as a rudder when the enterprises are hit with shock after shock.

All of the great leaders we studied embraced the genius of the AND. Preserving something core AND stimulating change and progress.

Action Plan:

- ✓ Before this year is over, answer the following question:
 - What are the keys seats on your minibus?
 - How many of those key seats do you have filled with the right people?
 - What are your plans for getting to 100%?

- ✓ Turn off electronic gadgets and put space on your calendar where there's no cell phone, email, texting, or any other connections whatsoever. Take time to zoom out and think.