

BOOK SUMMARY

“HOW THE MIGHTY FALL”

And why some companies never give in

Jim Collins

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This is a very interesting book that is about business. However, I suggest that lessons in this book can apply for community organizations, not-for-profits, and families dealing with financial matters.

This book, which was four years in the making, is an easy read with only 182 pages. The following summary only highlights each of the five stages. In the book, Collins goes in depth with each stage and provides many case studies of brand names that have fallen.

Collins makes a point that:

- Decline can be avoided
- Decline can be detected
- Decline can be reversed

“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

Collins has come to see institutional decline like a staged disease:

- Harder to detect but easier to cure in the early stages
- Easier to detect but harder to cure in the later stages
- An institution or individual can look strong on the outside but already be sick on the inside, dangerously on the cusp of a precipitous fall.

Every institution is vulnerable, no matter how great. No matter how much you've achieved, no matter how far you've gone, no matter how much power you've garnered, you are vulnerable to decline.

There is no law of nature that the most powerful will inevitably remain at the top. Anyone can fall and most eventually do.

The five stages:

1. Hubris born of success
2. Undisciplined pursuit of more
3. Denial of risk and peril
4. Grasping for salvation – If a company reaches this stage, there is still hope. (page 25)
5. Capitulation to irrelevance or death

Collins stated that if he were to pick one marker above all others to use as a warning sign, it would be a declining proportion of key seats filled with the right people. 24 hours a day, 365 days a year, you should be able to answer the following questions:

1. What are the key seats in your organization?
2. What % of those seats can you say with confidence are filled with the right people?
3. What are your plans for increasing that %?
4. What are your backup plans in the event that a right person leaves a key seat?

What makes for the “right people” in key seats?

1. The right people fit with the company’s core values
2. The right people don’t need to be tightly managed
3. The right people understand that they do not have “jobs”; they have responsibilities
4. The right people fulfill their commitments
5. The right people are passionate about the company and it’s work
6. The right people display “window & mirror” maturity - When things go well, the right people point out the window, giving credit to factors other than themselves, they shine a light on other people who contributed to the success and take little credit themselves. Yet when things go awry, they do not blame circumstances or other people for setbacks and failures; they point in the mirror and say, “I’m responsible”

To be clear, great enterprises do make big bets, but they avoid big bets that could blow big holes below the waterline. When making risky bets and decisions in the face of ambiguous or conflicting data, **ask three questions:**

1. What’s the upside, if events turn out well?
2. What’s the downside, if events go very badly?
3. Can you live with the downside? Truly?

I trust that you have benefited by this summary. It reminds me of the **“blind spot”** when driving a car. If you drive enough Km. and if you fail to shoulder check when changing lanes, you will experience pain and discomfort for you and others by failing to pay attention to your blind spot.

What is the blind spot in your life or organization at this time?

Wayne Taylor, P.R.P.