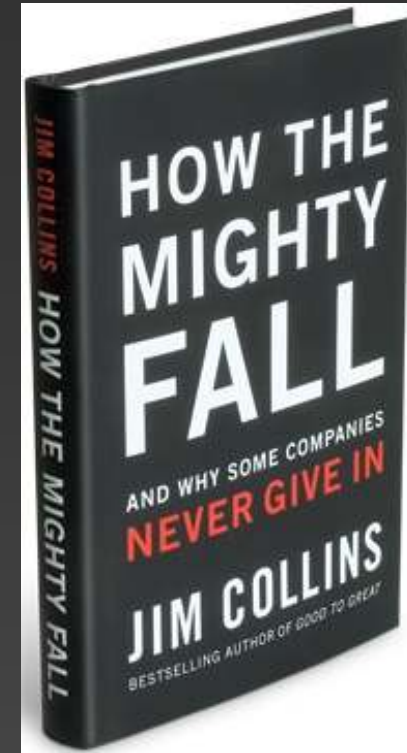


A quick summary of
Jim Collins' latest book:

“How The Mighty Fall.”



Summarised by Ian Rheeder.

Johannesburg, Sep 2009

ian@markitects.co.za



Five stages of decline, which proceed in sequence:

1. Hubris Born of Success (hubris is an arrogant, over-inflated sense of worth, overly self-confident firm): success translates into outrageous arrogance. Which hurts the innocent who get retrenched.

2. Undisciplined Pursuit of More (overreaching for more): fat, lazy, the world passes you by, stop R&D, nothing new & bold. You deny the environment. Other companies want to study you. But your inventory becomes too large, you lose key people, GP% declines, CSI declines, etc, but you deny this. So you take more risk.

3. Denial of Risk and Peril: Keep grasping for more.

4. Grasping for Salvation: fall becomes visible. Now we look for the one fell swoop cure, looking for the miracle cure, because you're insecure. You desperately attempt to grasp the fly-wheel, but you have run out of options. It's how you respond that will save you; you can come back from stage 4 through sterling effort and discipline.

5. Capitulation to Irrelevance or Death:

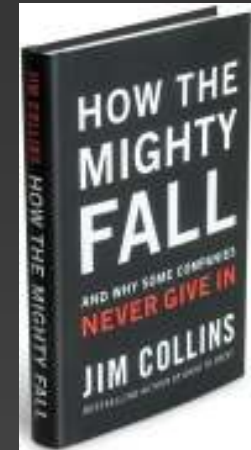
You can't come back from stage 5.

The good thing about denial is it buys you time inside your head - but in reality time is running out fast. A second benefit of denial is when life finally disintegrates, it arrives as a revelation but without the disturbing stage of angst before it. But wallowing in denial is short-lived. We know that by continuously not looking at reality or taking responsibility, countries, organisations and individuals become irrelevant.

Ian Rheeder

In his book “How The Mighty Fall” (2009), Jim Collins cites three initial stages that leads to an organisations capitulation:

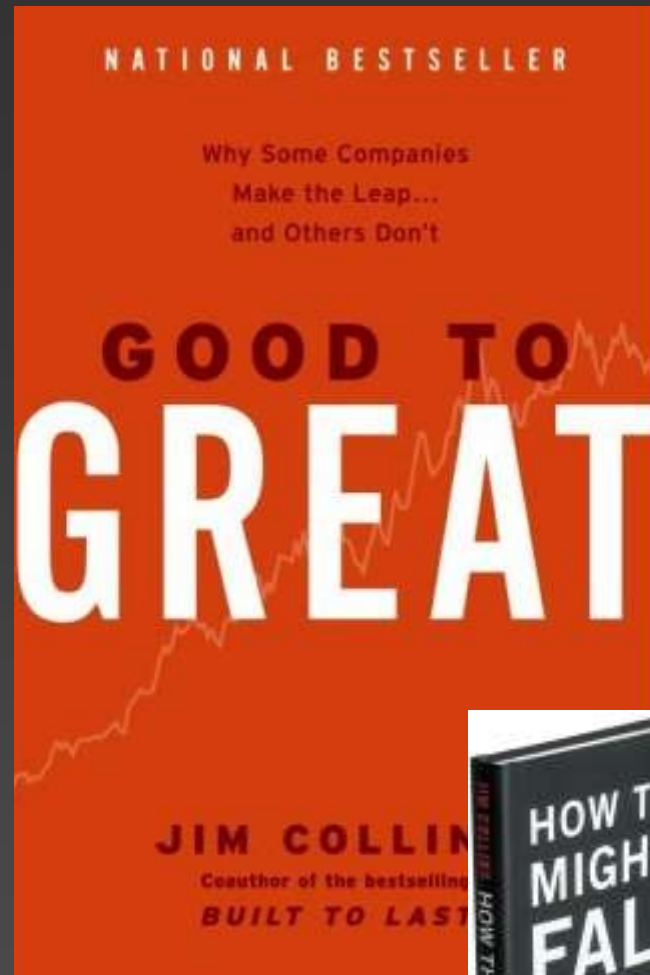
1. An over-inflated sense of worth,
2. Lack of discipline, and
3. Denial.



Then when it becomes undeniable that the organisation is in fact falling, in their insecurity the leaders grasp out for Stage Four, a Quick-fix Miracle, which leads to Stage Five, Irrelevance & Death. The lesson? There is no “saviour” that can replace disciplined effort over time.

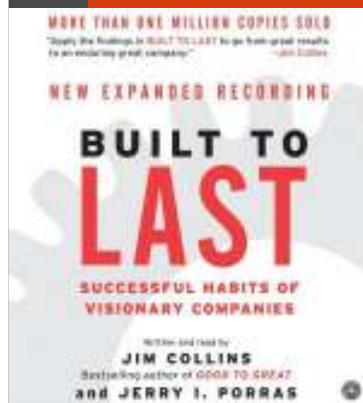
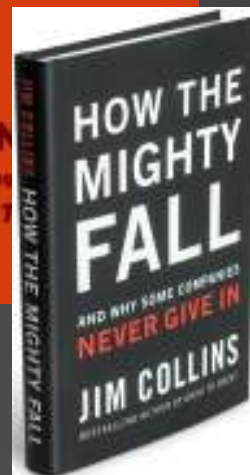
Summary by Ian Rheeder, ian@markitects.co.za

Good to Great



Jim Collins, "Why some companies make the leap ... and others don't."

11 Firms: Abbott Laboratories, Circuit City, **Fannie Mae (Housing)**, Gillette Co., Kimberly-Clark Corp., the Kroger Co., Nucor Corp., Philip Morris Cos. Inc., Pitney Bowes Inc., Walgreens, and Wells Fargo (Bank).



Key Extracts: Good to Great Leaps

- **Down-to-earth**, no miracle moments
- **Committed-to-excellence-process** (25 ton *Flywheel Effect*), kept leaders & followers on track for the long haul
- Steadfast **discipline** over quick fix, eggs don't hatch suddenly
- **Momentum: mass x velocity** of whole company's flywheel

Key Extracts: Good to Great Leaps

- Difficult to get the flywheel to move, but then **momentum takes over!**
- Leaders showed tangible evidence (not words) that the program was working (credible, authentic, accountable 'change' program)
- **“Doom-loop”**, opposite of Flywheel: free-running without accountability (launched with huge fanfare)
- **Change** too often means loss of momentum (**reactive doom-loops**)

That's all for now.