

Can Failure Be Our Guide?

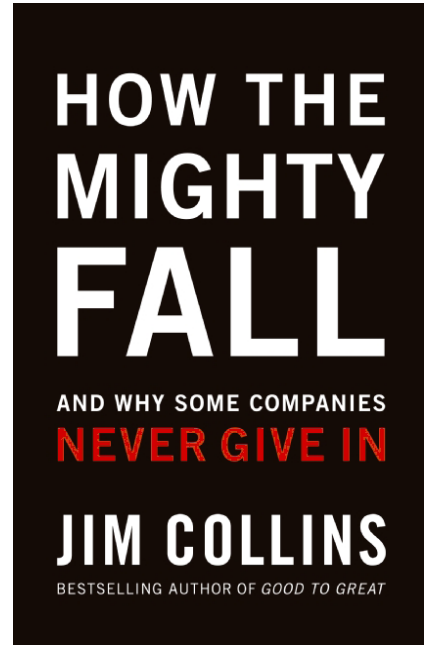
Dr. Nick Isbister



Jim Collins' most recent book *How the Mighty Fall and Why Some Companies Never Give In* represents a dramatic departure from his previous best sellers, *Good To Great* and *Built To Last*, both of which analyzed successful companies. By contrast, *How the Mighty Fall* is dedicated to the study of failure. While Collins is always worth reading for his thoughtfulness, his thoroughness, and his depth of insight, *How the Mighty Fall* is a timely book for organizations and executives who have suffered through the most recent economic downturn.

Jim Collins is a remarkable combination of opportunist, researcher, synthesizer and communicator. As head of a substantive consulting group, he is able to mine huge amounts of research to back up his thinking. Indeed, this is one of Collins' trademark characteristics: a (robust) method of studying organizations and their history that enables him to write *definitively* about his subjects. As he says in the beginning of this book, "We [have] a substantial amount of data collected from prior research studies, consisting of more than six thousand years of combined corporate history" (p.13). His sure-fire method is his 'matched-pairs' analysis which "contrasts between highly successful and less highly successful outcomes" (p.135).

It is a seismic shift for Collins to move from the study of success to the study of failure. He admits that his "turning to the dark side" (p13) was tough. "Assembling a data-driven framework of decline proved harder than constructing a data-driven framework of ascent" (p.19). His wife, Joanne, provided him with two important insights,



both metaphors for the subject at hand. In the *first*, the discovery of a carcinoma in an apparently healthy person suggested that what appears healthy *may* already have within it the seeds of its destruction. And in the *second*, in reminding him of Leo Tolstoy's observations on families from the opening of Anna Karenina: "All happy families are alike; each unhappy family is unhappy in its own way" (p19). Success may reduce down to "eleven timeless principles" (as *Built to Last* implied), or may take you following the seven principles enumerated in *Good to Great*, so is there a "formula" for (certain) failure? Decline and fall may *not* be as simple as the formula for success.

But, not to be deterred, Collins has grappled with those "six thousand years of combined corporate history" to bring us stories of some once-mighty firms including some of those that featured in his earlier studies, notably Fannie Mae. We learn of the contrasts between Ames Department Stores & Walmart, of Motorola's failure to recognize the demise of analog ("Forty-three million analog customers can't be wrong!"); of Circuit City vs. Best Buy; of Rubbermaid and of Bank

of America. And, perhaps mindful of the criticism that his books have been read in a way that is too formulaic, as he introduces his framework he tells us of the wisdom of statistician George E.P. Box: "All models are wrong; some models are useful" (p20). We learn of the five stages of decline. Those are:

The graphic expression of these stages accentuates the rapid and steep decline that many businesses experience. In our own consulting, we have noted that many executives and directors share the perspective of Ernest Hemingway, in *The Sun Also Rises*, who thought there were simply two stages: "How did you go bankrupt?" "Two ways, gradually and then suddenly."

apply the brakes early and reverse course" (p.25). And so in consequence, we must not lose heart: "All organizations go through ups and downs, and many show signs of Stage 1 or 2, or even Stage 3 or 4 at some point in their histories. Yet Stage 1 does not inevitably lead to Stage 5. The evidence simply does not support the notion that all organizations must inevitably succumb to demise and disintegration" (p.25).

Stage 1 – Hubris Born of Success

Stage 2 – Undisciplined Pursuit of More

Stage 3 – Denial of Risk & Peril

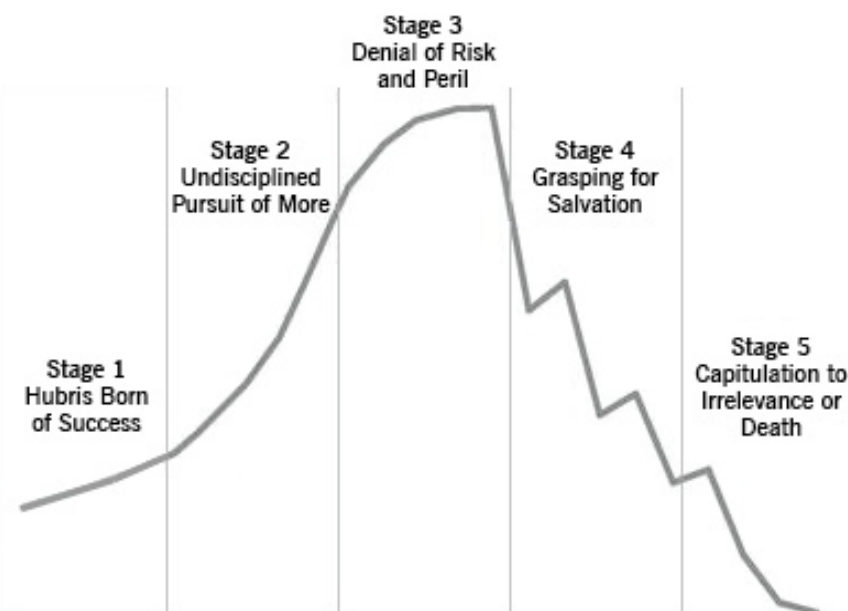
Stage 4 – Grasping for Salvation

Stage 5 – Capitulation to Irrelevance or Death

Collins tells us that as he shared his finding with his friends, "many commented that they found our turn to the dark side grim, even a bit depressing" (p.23). Grim it may be, depressing it could be... but is it useful? "Yes" says Collins, in defense of this whole study; "We do ourselves a disservice by studying only successes...[since] one of the keys to sustained performance lies in understanding how greatness can be lost" (p.24) and: "I ... see this as a work of well-founded hope. For one thing, with a roadmap of decline in hand, institutions heading downhill might be able to

So, what is it that makes the difference? What stops the *inevitability* of the decline? What stops "institutions heading downhill"? What helps them apply the brakes and reverse out of "terminal decline"?

Collins concludes his book with a chapter entitled "Well-founded Hope" a chapter outlining how even in the pits of Stage 5 there is hope for "Recovery and Renewal". There are perhaps *three* things worth saying here:



Expressed as a graphic, the five stages of decline are shown above.

1. A well-founded hope starts when people stop believing their own hype, when they shift their attitude from "we know" to "we must find out".

2. Secondly, a well-founded hope will continue when leaders (and managers) remember that *all* greatness comes from people, *all* greatness is achieved through people.

3. Finally, all greatness is sustained by people who do not give up, by people who have an "irrational" obsession with not giving up.

““ Renewal starts with people becoming curious... Decline starts with people becoming caught up in their own success... ””

Firstly, renewal starts with becoming curious. Because decline *starts* with people becoming caught up in their own success: “Stage 1 – Hubris born of Success”. Collins defines hubris as both “excessive pride that brings down a hero...[and] outrageous arrogance that inflicts suffering on innocents” (p.29). He suggests that the *key* turn, the *key* move executives make at this stage, is when they cease being curious, when they stop asking why, when they start assuming, when they start knowing before they start asking. “To be a knowing person...differs fundamentally from being a *learning* person” (p.39). The *first* step on the road to recovery and renewal is to rediscover curiosity and start “not-knowing”!

The *second* step is a recognition that learning starts with listening. When we become curious again we open ourselves up to listen. We start listening to those we have ignored – people pointing out the risks, people giving us real feedback. We start listening to our customers afresh – asking if they want what we offer, or why they don’t return to us again and again. Perhaps, most importantly, we start listening to ourselves – listening to our deeper intuitions about what is working or not working. Collins talks about “those who build great [organizations] have drive and passion and intensity and an incurable itch for progress somewhere in their DNA to begin with” (p.49). For hope to be “well-founded” it needs to be built on an understanding of people that consistently gets at that “drive and passion and intensity...somewhere in their DNA”. It is not just *any* people that have the capacity to halt the decline, to apply the brakes, to reverse the course. It is executives who have turned from being “knowers” to “learners”. Those who start by asking “have we got the right people in the right seats *with their hands and feet on the right controls?*”.

Of all the ways of determining this I know, there is none better than SIMA International’s SIMA® process (the System for Identifying Motivated Abilities), a proven methodology, built on sound narrative principles for determining “drive, passion and energy”. Interestingly, Collins is a little vague on this point in the book.

He does have an appendix, “What makes for ‘Right People’ in Key Seats” where he suggests *six* general characteristics:

1. The Right People fit with the [Organization’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 [Organizations] and its work.
6. The Right People display “Window & Mirror” Maturity (when things go well they point out the window to others, when they go wrong they look in the mirror and ask in what way they contributed to what happened).

Good though these general principles are, they are no sure-fire solution to knowing in *this* crisis, in *this* set of circumstances who will thrive and serve us best? Collins goes on to say, “The path to recovery lies first and foremost in returning to sound management practices and rigorous strategic thinking” (p.117), but then all he does is suggest people review the classics and take a course on Peter Drucker and Michael Porter, Edward Demming, Tom Peters (really?) and Bob Waterman. We see this a bit differently; do we need to review the “classics”: or make certain our well-founded hope is built on a

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well-founded “people-technology”. This is where SIMA® comes into its own as a “people-technology” that definitively determines drive, passion, motivation, and strengths. Understanding the circumstances that strengthen positive, motivated behavior can help take the hit-and-miss out of securing a sustainable solution.

Finally, drastic times require drastic solutions. Collins concludes his chapter on what might constitute a well-founded hope by describing the leadership of Anne Mulcahy, who over a five-year period at Xerox reversed its decline. Collins observes about her (and others) “*in every case, leaders emerged who broke the trajectory of decline and simply refused to give up on the idea of not only survival, but of ultimate triumph despite the most extreme odds*” (p.116). “*In every case*”, the circumstances required a leader to emerge who had the “drive and passion and intensity” to push, and push, and hold and *not* give up. He concludes

with the story of Winston Churchill, failed politician, failed peace-time leader, a man written off, in 1932, as “finished!”, but, a man who in the crucible of war, became one of the greatest leaders the world has ever seen – a fighter for the hour of need. He might equally have cited the life of Nelson Mandela, armed-insurgent turned gracious diplomat and, arguably, the only man strong enough to help navigate a peaceful transition from Apartheid to the “Rainbow” Nation. A well-founded hope will inevitably be forged and won by men and women, knowing who they are, stepping into the crisis, stepping into the “mess” of the decline and refusing to “capitulate”, refusing to accept the “death of the organization” as inevitable.

What halts the decline of the “mighty”? It is, as most leaders already know, not simply all about people, but rather all about the right people.

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“People are not your most important asset. The **right** people are.”



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