

HOW A BUSINESS FAILS



BY MATT FOX AT:



FAILtoLEARN.com

“WE DO OURSELVES A DISSERVICE BY STUDYING ONLY SUCCESS.”

- Jim Collins, *How The Mighty Fall*

The 5 stages in this checklist come from Jim Collins' fantastic book, *How The Mighty Fall: And Why Some Companies Never Give In*.

Collins is well known for his book *Good To Great*. After publishing, almost all the companies in *Good To Great* failed. So he studies how they failed and wrote *How The Mighty Fall*.

The checklist here can apply not only to your business but to individual projects, departments, marketing campaigns, and more.

I invite you to let me know how it's helped you.

Email me at: Fox@FailToLearn.com

STAGE 1: HUBRIS

Current success is viewed as deserved, rather than fortuitous, fleeting, or even earned.

Signs of Stage I Decline:

A belief that success will come no matter what you do, or not do.

Neglecting your main business to pursue areas you think will provide more growth.

You forget "why" you do what you do (what drives your initial success) and work on the process, the "what" you do in your business.

You stop learning. When you first start you're curious to provide the solutions that fueled your growth. Now your knowledge stops you from seeing new ideas and opportunities.

You discount the fact luck has a very helpful role in your success, and everyone's success.

STAGE 2: UNDISCIPLINED PURSUIT OF MORE

You've strayed from the discipline and creativity that fertilized your success.

Signs of Stage 2 Decline:

"Every person in a key seat should be able to respond to the question 'What do you do?' not with a job title, but with a statement of personal responsibility"

You confuse the idea of growth with what it means to be a great company.

Bureaucracy becomes more important than discipline, creativity, freedom, and job responsibility.

Personal interests become more important than the organization's interests.

You pursue areas that don't fit within your company's core values and areas outside what you can become the best at producing/providing.

STAGE 3: DENIAL OF RISK AND PERIL

You ignore facts and rationalize the changes instead of taking responsibility.

Signs of Stage 3 Decline:

You promote all the areas where things are going well while discounting the areas where things are showing decline and problems.

Begin to set big goals and plans that aren't based on experience or data.

Dialogue in your team begins to decline. Management becomes more dictatorial.

You begin to blame outside forces for failures and setbacks instead of the people and groups inside your organization.

You begin to reorganize people, departments, areas of focus. Internal politics becomes a problem instead of focusing on the outside conditions of your changes.

Leadership begins to cocoon in their plush offices and detach from the pulse of the company.

STAGE 4: GRASPING FOR SALVATION

You look for quick returns and make rash bets instead of getting back to the discipline of what made you successful.

Signs of Stage 4 Decline:

Your fight or flight responses kick in instead of staying calm and taking deliberate actions.

You search for silver bullets and big moves that will be "game changers" to turn things around.

You hype radical changes as a new: new programs, new strategies, new culture, new, new, new!!!

Your expectations are set higher than normal. You make bets on best case scenarios.

Instead of under-promising and over-delivering, you develop a pattern of over-promise and under-deliver.

Any initial successes from these events end up crashing hard.

People in your organization can't articulate what you stand for anymore. It's just another place to work and get paid.

STAGE 5: CAPITULATION TO IRRELEVANCE OR DEATH

You realize that hope is gone.

Signs of Stage 5 Decline:

According to Jim Collins, it's possible to be profitable and bankrupt. You may have continued earnings but lack cash. Without cash, it's time to figure out your exit.

Some very intelligent people have had businesses get to this point. It's not something to feel shame about. As Jim Collins wrote:

"Not all companies deserve to last."

LAST WORD AND NOTES:

These stages, according to Collins, are generally sequential. However, there are always exceptions who jump stages or move through a stage quicker than others.

For you, it's now something to watch for and step back to understand what's going on.

If you have any comments or questions, feel free to send me an email.

Have fun,

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Any quotes or comments come from Jim Collins' book *How The Mighty Fall: And Why Some Companies Never Give In*. I highly recommend you pick it up and read it. It's a fantastic book filled with wonderful stories and examples to help you better understand the process of decline.