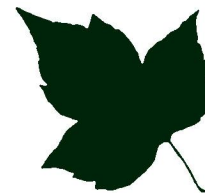


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“HOW THE MIGHTY FALL”

Friends, Clients and Colleagues ...

It's a treat for me to pass along to you another extraordinary Jim Collins book!

He kids us that he's gone over to the "dark side" in his studies, research and writing.

Not really. Collins has some important learnings for us, from firms that have experienced serious problems. Some have ultimately failed, others sputtered along, and some became even stronger.

His analysis of failures identifies **five stages** that lead to trouble, and they're quite useful.

But ... his best contributions to us are the "**nuggets**" he found that are helpful to **all** firms, large and small, successful or not ... **all** firms.

I hope you enjoy his good work as much as I have (see my review following). We have several clients that have ordered his book for all their senior leaders.

All the best,

Mel

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PLEASE NOTE: An important change in our contact information ... we will soon be dropping our office land line in favor of our mobile number ... 513/919-7672. Please make a note of this change for future reference. Thanks!

Don't forget that all past **Leadership Letters** can be found on our website at www.henseyassociates.com.

Helpful nuggets from another great Jim Collins book:

HOW THE MIGHTY FALL

Jim Collins

2009

Harper Collins, NY

Collins began this effort as a short article, kind of a sidebar to his other research work, yet it turned into a concise book of 123 pages (not counting the appendices).

This is probably one of a half dozen books that is must reading for managers and administrators, but particularly for executives and entrepreneurs.

Collins has identified five stages in his framework for how companies, large and small, and even public organizations get into trouble:

- “**Hubris** born of success”
- “**Undisciplined** pursuit of more”
- “**Denial** of risk and peril” (and the markers for that)
- “**Grasping** for salvation” (silver bullets)
- “**Capitulation** to irrelevance or death”

He also shows us firms that turned back toward renewed success at stages 2, 3 and 4. His discussion of Lou Gerstner’s slow and careful turnaround of IBM is alone worth twice the price of the book!

NUGGET: Observations about **Leadership Team Dynamics:**

Teams on the Way Down

- Executives are shielded from the grim facts.
- Strong opinions (with little data) rule the day.
- Leaders use few questions (vs. statements).
- Members acquiesce to decisions without supporting them.
- Members seek credit for themselves.
- Members argue to “look smart.”
- Team autopsies seek blame and culprits.
- Members often fail to deliver, then blame others and outside factors.

Teams on the Way Up

- Unpleasant facts are aired and discussed candidly.
- Bring your evidence and solid arguments.
- Leaders use lots of Socratic questions (to learn).
- Members unify behind well made decisions; show commitment.
- Members credit others for their success.
- Members debate to find the best answers.
- Team autopsies seek wisdom without blame.
- Members deliver exceptional results and take responsibility for failures.

NUGGET: Observations about **Problematic Successions of Power:**

- **Leadership transition** difficulties often set the organization on a rocky path, whether due to: poor planning, failure to groom excellent leaders, political turmoil (and politics), or unwise selection of successors.
- Also, sometimes leaders wait too long, or a successor dies or leaves, or just plain bad luck comes along.
- (In any case, we see too few firms proactively grooming future leaders, **at least two**, for every key leadership role.)

NUGGET: Observations about **Restructuring as a Strategy:**

- **Reorganizations** may create a false sense of “doing something.” “There is no organizational utopia.” Collins’ research shows that all forms of organization have problems, and that no evidence supports an “ideal structure.”
- (We’ve found that reorganizing can take up to three years to fully implement. It creates big hits to the bottom line, even if done carefully and well. Reorganizing needs to be worth the cost and not part of Collins’ “doom loop.” Far better is to **regularly tweak** what you have.)

NUGGET: Observations about **Gerstner’s Success at IBM:**

- **Gerstner understood** that the cycle of grasping for salvation/silver bullets must stop. He studied and heard from all parts of IBM over several months (was accused of doing nothing!).
- “Gerstner returned to the intense, methodical and consistent approach that produces greatness in the first place.” Asked about the “crisis” at IBM, he said “I have a sense of urgency that never changes, whether we’re doing well or poorly.”

OTHER NUGGETS that can **Help with a Turnaround:**

- “Get the facts, think, and then act with calm determination.”
- Make strategic changes based only on evidence and analysis.
- Focus on performance and tangible results.
- “Create momentum with a series of good decisions ... well executed.”
- Preserve and use your cash wisely!

In addition to the many firms Collins studied, he brings in the perspectives of Caesar Augustus, Winston Churchill, Sam Walton, and the Challenger explosion ... to bring us management wisdom. I read it twice to really “get” it. As a bonus, it’s a very enjoyable and fascinating read!



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