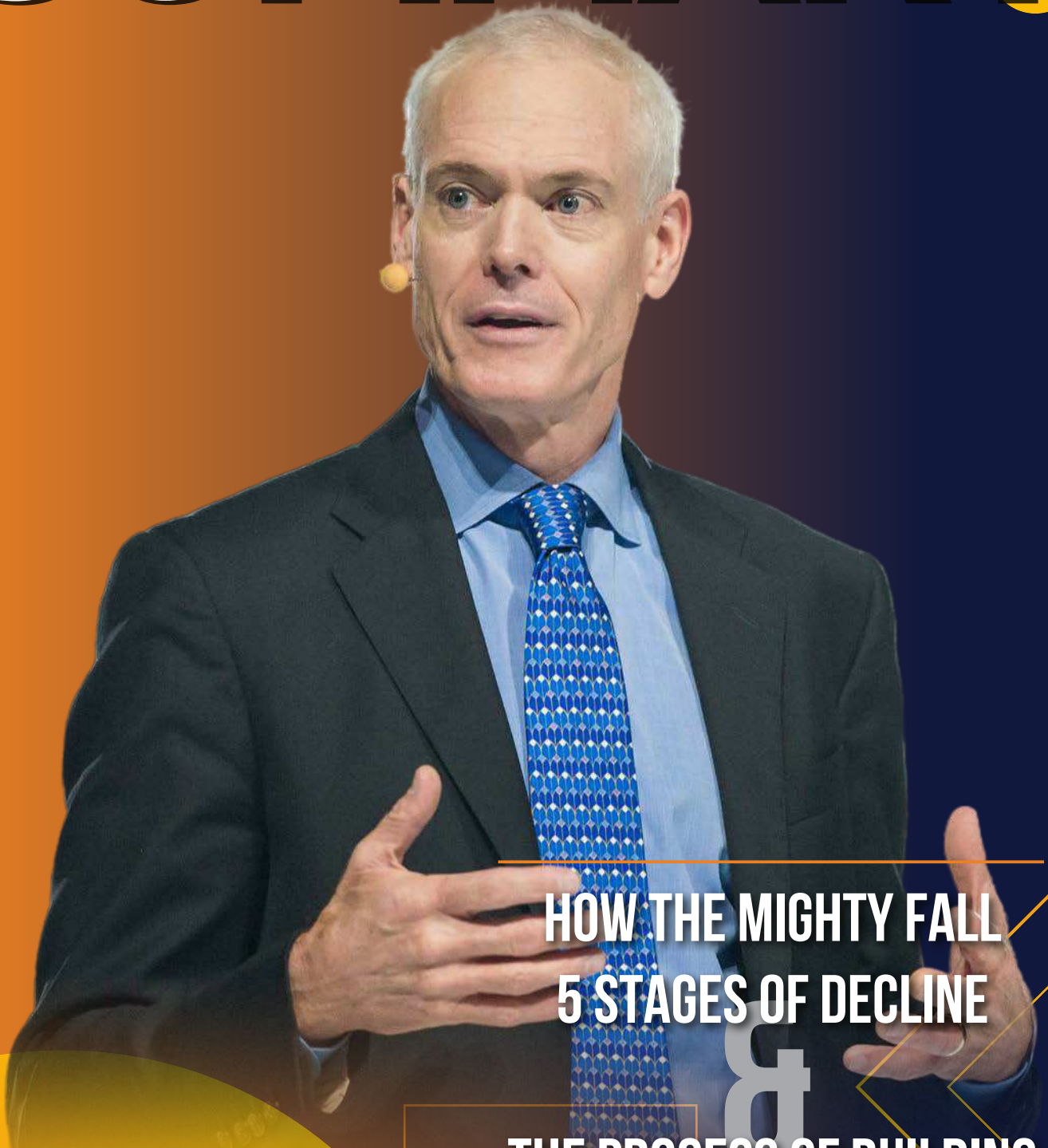


EXECUTIVE SUMMARY

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HOW THE MIGHTY FALL
5 STAGES OF DECLINE

THE PROCESS OF BUILDING
GREAT COMPANIES



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INTRODUCTION

JIM COLLINS IN BRIEF

Jim Collins is a student and teacher of what makes great companies tick, and a Socratic advisor to leaders in the business and social sectors. Having invested more than a quarter century in rigorous research, he has authored or coauthored six books that have sold in total more than 10 million copies worldwide. They include *Good to Great*, the #1 bestseller, which examines why some companies make the leap to superior results, along with its companion work *Good to Great and the Social Sectors*; the enduring classic *Built to Last*, which explores how some leaders build companies that remain visionary for generations; *How the Mighty Fall*, which delves into how once-great companies can self-destruct; and *Great by Choice*, which is about thriving in chaos—why some do, and others don’t. His most recent publication is *Turning the Flywheel*. It explores how leaders can best harness the flywheel effect to build and accelerate momentum.

Driven by a relentless curiosity, Jim began his research and teaching career on the faculty at the Stanford Graduate School of Business, where he received the Distinguished Teaching Award in 1992. In 1995, he founded a management laboratory in Boulder, Colorado, where he conducts research and engages with CEOs and senior-leadership teams.

In addition to his work in the business sector, Jim has a passion for learning and teaching in the social sectors, including education, healthcare, government, faith-based organizations, social ventures, and cause-driven nonprofits. In 2012 and 2013, he had the honor to serve a two-year appointment as the Class of 1951 Chair for the Study of Leadership at the United States Military Academy at West Point.

Jim holds a bachelor’s degree in mathematical sciences and an MBA from Stanford University, and honorary doctoral degrees from the University of Colorado and the Peter F. Drucker Graduate School of Management at Claremont Graduate University. In 2017, *Forbes* selected Jim as one of the 100 Greatest Living Business Minds.

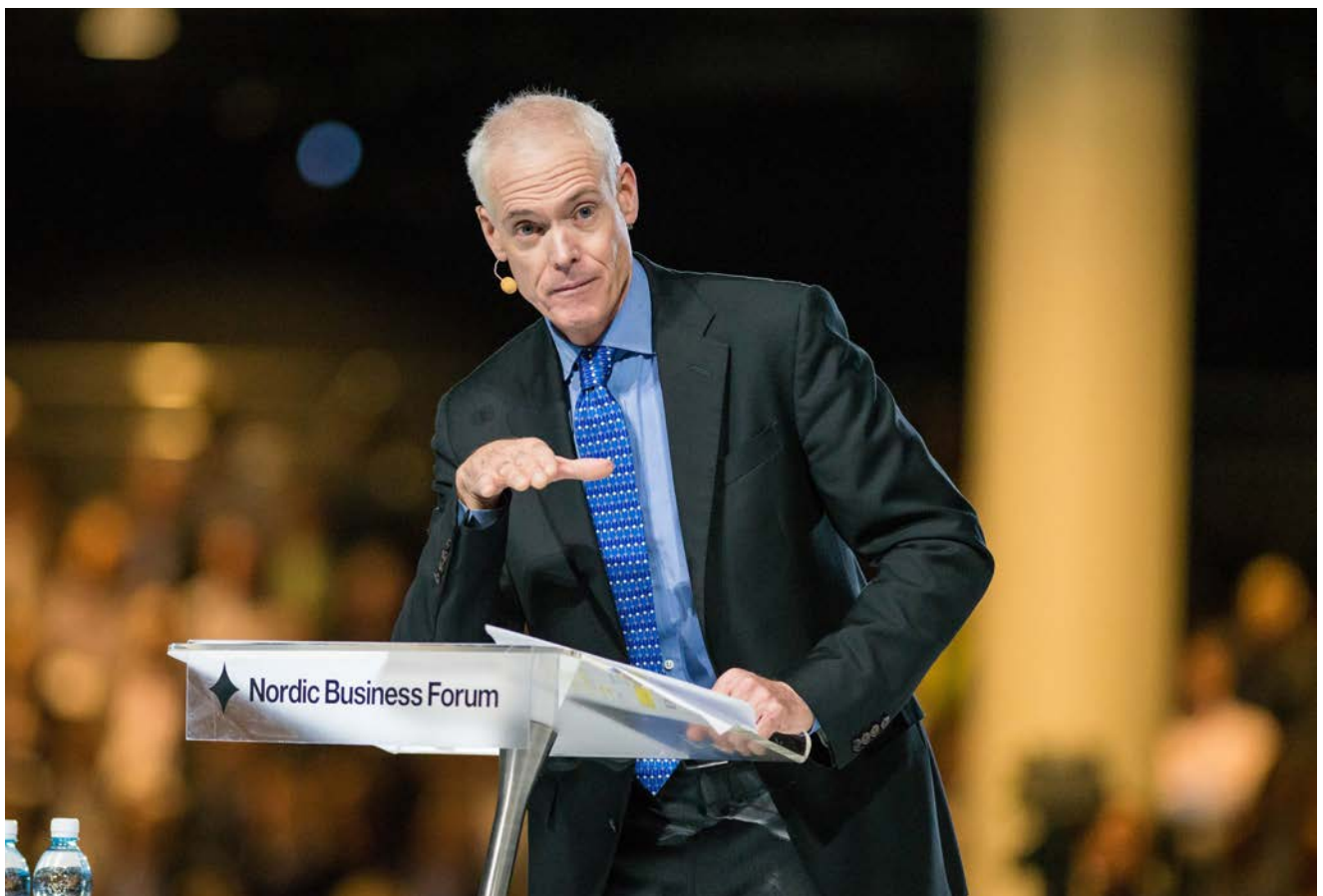
Jim has been an avid rock climber for more than forty years and has completed single-day ascents of El Capitan and Half Dome in Yosemite Valley.

JIM COLLINS

HOW THE MIGHTY FALL

5 STAGES OF DECLINE

BY GINA-MARIE CHEESEMAN



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No one wants to think about how a company fails, but by doing so you learn about what not to do. Also, you might even recognize your company is in the early stages of decline.

Jim Collins, the author of numerous books, an American business consultant, and popular lecturer, discusses the decline of a company. He starts his presentation by declaring, "It's a great honor and privilege to be with you." His time in Finland marked only his second time in a decade traveling outside of North America. Collins tells us about the intellectual journey he went on where his views on leadership changed. "The irony is that I didn't use to believe in leadership. In fact, I was a leadership skeptic," he says. He mentions his book *Built To Last* that looked at companies that endured at a high level. It can't be a single leader that makes a company great when they have endured for that long at that level. Eventually, leaders go away. "So, it must be something about the enterprise, its culture, the company," Jim presents.

But then his views started to mature. He asked himself if a good company can become great. He started another work after that which led to the book *Great By Choice* that looked at vulnerable entrepreneurs who started out as small start-ups and became great companies. "They started out in environments characterized by change and disruption." What he found is that the more uncertain and chaotic the environment, the greater swing variable of the effectiveness of the leadership. In other words, a chaotic environment alone does not mean a company will fail.

Why do some once great enterprises bring about their own senseless self-destruction? How do once great

companies fall? Jim admits that it is not something very inspiring to study or even look at. One leader, no matter how great, can't make a company great and enduring. Great leaders understand it can't be just them. However, one really bad leader can bring a company down. Jim declares that "every single, major problem we face is at some core a leadership problem." Jim warns that some of the greatest companies in history brought about their own senseless self-destruction and if it can happen to them, no one is immune. "If you think you are immune, you are already on the path to decline."

The five stages of how a company fails

He describes the fall of a company as a stage disease. It's a disease that is easy to cure if detected early. However, it's very hard to detect the disease in the early stages. It's harder to cure later, but easier to detect then. There are five stages of how a company falls. Arrogance and regarding success virtually as an entitlement are signs of Stage 1, "Hubris born of success". In this stage, people lose sight of what made them succeed in the first place and start to consider that they can succeed in anything.

It's a short way from Stage 1 to Stage 2, "Undisciplined pursuit of more", in which companies pursue more growth with undisciplined moves that do not fit into their core business. Either it's the area the company leaps into or the fast pace of the growth that hinders the company to excel, or even both.

In Stage 3, “Denial of risk and peril”, the things look good on the outside, but internal signs of decline are appearing. Companies tend to amplify positive data and discount, or explain away, negative data.

Denial may lead to Stage 4, “Grasping for salvation”, in which the decline becomes visible to all. It’s instinctive to do everything the leaders can think of to reverse decline in this stage. But the key is not to do everything at a frantic pace, but think what not to do with a focused approach.

Stage 5 is “Capitulation to irrelevance or death”. In this stage, all the repeated unsuccessful attempts

have drained both the company’s finances and leaders. There’s no turning back from this stage.

Jim warns listeners that although it’s possible to come back from stage four, he would rather have them avoid the stages, particularly the latter ones. The knowledge of the five stages serves as a diagnostic tool kit. You just might recognize your company is in an early stage and be able to fix the problem before you get to stage four.

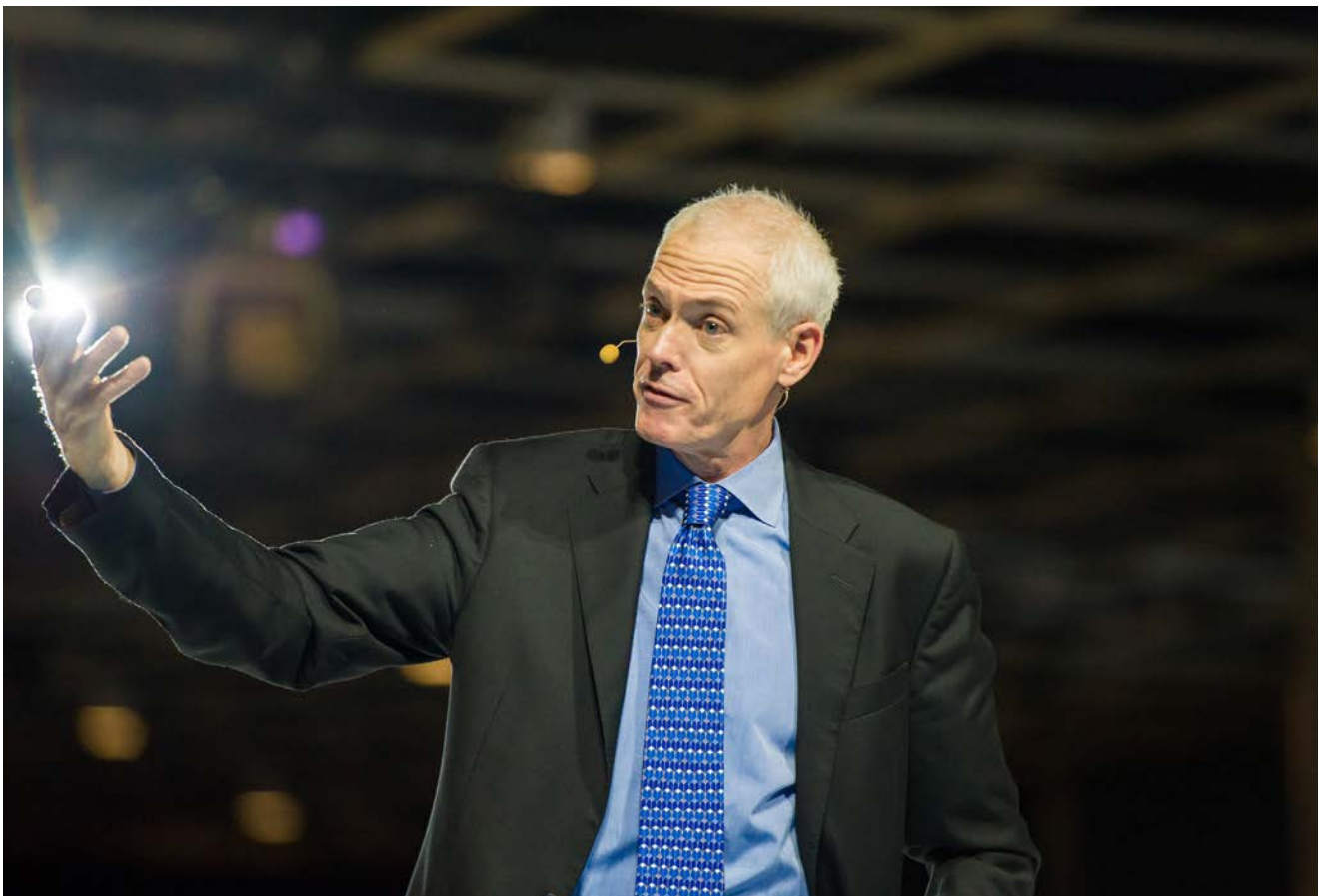
Key Points

- *No one wants to think about how a company fails, but by doing so you learn about what not to do. Also, you might even recognize your company is in the early stages of decline.*
- *Know what the five stages of a company’s decline are and where your company falls. You just might be able to stop your company from sliding into decline.*
- *If you recognize your company is in an early stage of decline, act now to stop further decline. It’s possible to stop decline in the early stages, but it’s virtually impossible to stop decline in the last stage.*
- *Make tactical decisions for the near future and build a vision for the future.*

JIM COLLINS

THE PROCESS OF BUILDING GREAT COMPANIES

BY GINA-MARIE CHEESEMAM





Good is the enemy of great.

Jim Collins has over 6,000 years of combined corporate history in his corporate history database. He has compiled that research into numerous books that include *Good To Great* and *Great By Choice*. Clearly, many attendees of Nordic Business Forum are acutely familiar with these works as many hands shoot up when he asks who in the room has read his books. Jim organizes his talk around 12 questions that he has distilled from his canon of work. The questions are his way of helping leaders take what he has learned and instill the principles needed for success by asking and wrestling with the questions.

1. Are we willing to strive for Level 5 Leadership, and to embrace the 10X behaviors needed to build a great company or social sector enterprise?

In his book, *Good To Great* Jim discusses the five levels of leadership. Level one is having good individual skills. Level two is having good team skills. Level three is having good management skills. Level four is becoming an effective leader. The fifth level represents the highest level. Someone does not need to be charismatic for great leadership – it is not about personality. Also, they don't have to be powerful, for power is not great leadership either. "If you have a charismatic cause, you do not have to be a charismatic leader," he says.

What makes a level five leader? A level five leader is humble. Level five leaders have as much ambition and drive as level four leaders. However, for level four leaders all of that ambition and drive is about them. It's about what they get, how they look, and

what they make. A level five leader channels energy outward. Level four leaders are good at getting people to follow them, but level five leaders are good at getting people to follow a cause. "They lead in a spirit of service and consume themselves in sacrifice."

2. Do we practice the principle of First Who, with the Right People on the Bus and in the right seats?

When he first conducted his research for *Good To Great*, he expected level five leaders might come in and set a new direction and motivate people to go in that direction. Instead, he found the opposite. They came in and said, "I'm not going to figure out where to drive this bus until I have figured out who should be on the bus, who should be off the bus, and who should be in the seats." In other words, first, get the right people and then figure out where to go.

3. What are the Brutal Facts, and how can we better live the Stockdale Paradox?

The process of going from good to great is one of disciplined people who engage in disciplined thought and take disciplined action. Jim noticed while doing research that level five leaders have a particular kind of disciplined thought that he calls the Stockdale Paradox. It's named after James Stockdale, who was a U.S. Navy Vice Admiral and one of the most highly decorated officers in the history of the U.S. Navy. He was the highest-ranking military officer in the Hanoi Hilton prisoner of war camp in Vietnam. He was shot down in 1965 and was there until 1973. He was tortured over 20 times. Jim got to know Vice Admiral Stockdale and wondered how he did not capitulate while in Hanoi Hilton. When asked by Jim, Stockdale answered that he never

capitulated to despair because he never wavered in his faith that he would not only get out but turn his time as a prisoner of war into the defining event of his life. He said that the optimists were the ones who did not make it out of Hanoi Hilton. They were the ones who said they would be out by Christmas, and Christmas would come and go. They died of a broken heart. He learned that you can't confuse the need for unwavering faith that you will prevail with the discipline to confront the most brutal facts.

4. What do we understand so far about our Hedgehog Concept—what we are fanatically passionate about, what we can (and cannot) be the best at, and what drives our economic or resource engine?

There is an essay called "The Hedgehog and the Fox" by Isaiah Berlin who said there are two types of thinkers: hedgehogs and foxes. The foxes love complexity and all the moving parts. They love showing how smart they are by making things so complex that other people can't understand them. Hedgehogs tend to take the approach of saying, "I know the world is complex, but we can't function if we don't simplify it." Hedgehogs get one big idea and focus on it. They simplify a complex world down to a fundamental, simple idea that is essentially right. "In the world of leadership, the hedgehogs win," Jim declares.

5. How can we accelerate clicks on the Fly-wheel by committing to a 20 Mile March?

In 1910, two men led teams to explore Antarctica: Roald Amundsen and Captain Robert Falcon Scott. Amundsen's team was successful while Scott's team died. Both had the same conditions but had different approaches. Scott responded to the conditions. If the conditions were good he would do really big pushes, but he would sit in his tent complaining about the weather when it was really bad. Amundsen had his team march 15 to 20 miles a day. He had his team moderate their pace by discipline and not conditions.

6. Where should we place our big bets, based on the principle "Fire Bullets, then Cannon-

balls"—blending creativity and discipline to scale innovation?

When looking at entrepreneurs, Jim explains to us that he was puzzled by the concept of innovation and the role it plays. He expected the best leaders to out innovate the others. He discovered that was not necessarily the case. Great leaders do innovate, but they don't out-innovate. "Pioneering innovation is great for society, wonderful for the economy, but statistically lethal for the innovator," he says. The key thing is not innovation but how they innovate. Great leaders have the ability to scale innovation.

7. Do we show any signs of How the Mighty Fall, and do we have enough Productive Paranoia to stay far above the Death Line?

Some of the greatest companies in the world ended up falling. What's scary is that they were once great and then fell. If they can fall, anyone can fall. How can a company stay great and not fall? What Jim found is that you need a healthy dose of what he terms "productive paranoia." According to Jim, productive paranoia means, "channeling your anxiety and your worry into preparation that keeps you alive." Productive paranoia means worrying about everything that can go wrong and putting preparations in place that allow you to have options to deal with problems.

8. How can we do a better job at Clock Building, not just Time Telling?

The great entrepreneurs are clock builders, not time tellers. The really great entrepreneurs don't want to be the time teller, the one everyone depends on to tell the time and set the direction. Instead, they want to build a clock to tell the time even when they are not around. They want to build a culture of people who can do amazing things, a culture that outshines them.

9. Do we passionately embrace the Genius of the AND—especially the fundamental dynamic of "Preserve the Core AND Stimulate Progress"?

The idea is that the best leaders are the ones that are really good at holding two seemingly opposite things in the mind at the same time. Jim noticed in his research that really great leaders are “and” people and do not succumb to the tyranny of the “or.” There is a sort of yin/yang principle going on in great businesses. On one side you have preserving the core, or staying true to something, and on the other side you have stimulating progress. “This is the big picture of why some endure as great and some do not,” Jim says.

10. What is our BHAG – our Big Hairy Audacious Goal – and do we have the SMaC to achieve it?

You have to keep setting big goals in order to succeed. Every time you are about to get to the top of the mountain, every time you are about to summit, you say to yourself, “What’s the next mountain?” You want to keep setting bigger and bigger goals. That’s how you stay away from complacency. Big goals will make you better. “A meaningful life is full of BHAGs,” Jim declares.

11. How can we increase our Return on Luck (ROL), making the most of our good luck and bad?

Throughout his research, Jim noticed that many of the greatest leaders believed they were exceptionally lucky along the way. The more successful people were, the more they attributed luck as a factor to their success. If you are intellectually honest, you have to ask, “How much of this just comes down to luck?” Asking that question is a form of humility and a form of productive paranoia. Successful leaders got a good return on luck. It doesn’t matter whether you get good or back luck. What matters is what you do with the luck you get.

12. What should be on our Stop Doing list?

This is a question about real discipline. Most of us have “to do” lists, but most of us don’t have “stop doing lists”. “True discipline begins not with what we do, but what we have the discipline to not do.” So what’s the first thing on your stop doing list?

Key points

- *Good is the enemy of great. Don’t be satisfied with where your company is at. Instead, strive for more.*
- *Make sure you have the right people in place. First get the right people and then figure out where to go.*
- *Have a Big Hairy Audacious Goal (BHAG). You have to keep setting big goals in order to succeed.*

WHAT MAKES GREAT COMPANIES TICK IN UNCERTAIN TIMES

VIRTUAL MASTER CLASS WITH JIM COLLINS

23-24 April 2021

**Why do some companies grow from good to great and change the world,
while others do not?**

Why do some once-great companies fall, while others keep rising?

**Why do some companies prevail in the face of uncertainty and chaos, while
others underperform or worse?**

These are some of the big questions Jim Collins, a world-renowned researcher and author, has studied for over thirty years. Collins has dedicated his career to research and writing related to the topic of what makes great companies tick.

Our virtual master class with Collins is a rare and exclusive opportunity for 200 leaders to learn how to take the leap from good to great, and how to prevail in the face of a crisis. The course is designed for top-level management; only CEOs and chairpersons can join.

Throughout the two half-day working sessions, Collins is going to challenge leaders to wrestle with a series of principles and questions they need to address in order to emerge strong. His teachings will also help the participants to take advantage of the momentum amidst chaos and uncertainty. Collins will push leaders to think hard about the disciplined people, disciplined thought, and disciplined action needed to build a truly great company that can endure.

This master class will also provide ample opportunity for engaged conversation with Collins, driven by the participants' reflections and questions.

GET ACCESS

Jim Collins is a student and teacher of what makes great companies tick, and a Socratic advisor to leaders in the business and social sectors. Having invested more than a quarter century in rigorous research, he has authored or coauthored six books that have sold in total more than 10 million copies worldwide. They include *Good to Great*, the #1 bestseller, which examines why some companies make the leap to superior results, along with its companion work *Good to Great and the Social Sectors*; the enduring classic *Built to Last*, which explores how some leaders build companies that remain visionary for generations; *How the Mighty Fall*, which delves into how once-great companies can self-destruct; and *Great by Choice*, which is about thriving in chaos—why some do, and others don't. His most recent publication is *Turning the Flywheel*. It explores how leaders can best harness the flywheel effect to build and accelerate momentum.

