

**Harvard
Business
Review
Special
Issue**

How to *Recover* from *Failure*



The Best
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Rebounding
from
mistakes
and
setbacks—
big and
small



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Feeling Like a Failure?

IN APRIL 2011, *Harvard Business Review* published an issue on failure; it's become one of our most revisited volumes. In his opening reflections, editor-in-chief Adi Ignatius called out a commonplace hypocrisy: Everyone talks about failure as necessary to learning, growth, and success, but we avidly avoid and punish it in real life.

Now failure—as both a strategy and a problem—feels like it's on everyone's minds more than ever. With the global pandemic placing seemingly endless obstacles before us and with expectations for performance higher than ever, setbacks for organizations loom large. Meanwhile uncertainty and rapid change have only deepened the need for organizations to fail fast.

In this volume we've collected the best of our articles on failure—what it is, its effect on us, how to recover from it, and how to learn from it. The articles in the first section describe what it takes for organizations to deliberately create certain kinds of failure in order

to learn and grow faster. In the second section we address what happens when a failure is harmful enough that you need to launch a recovery effort: anything from helping a tech team identify just what went wrong on a failed code deployment to turning a company around from its lowest quarter on record.

In the last section we address what makes all these tactics tricky: that failure simply feels bad. Our brains often keep us focused on a mistake's negative repercussions rather than on the opportunities it has unlocked. These articles describe how to shift that thinking by understanding the psychology of resilience and self-compassion.

The word “failure” derives from the Latin for “to trip” or “to stumble”—a nice reminder that even when it feels like you've lost all your forward momentum, you can always reset and keep on walking.

— ***The Editors***

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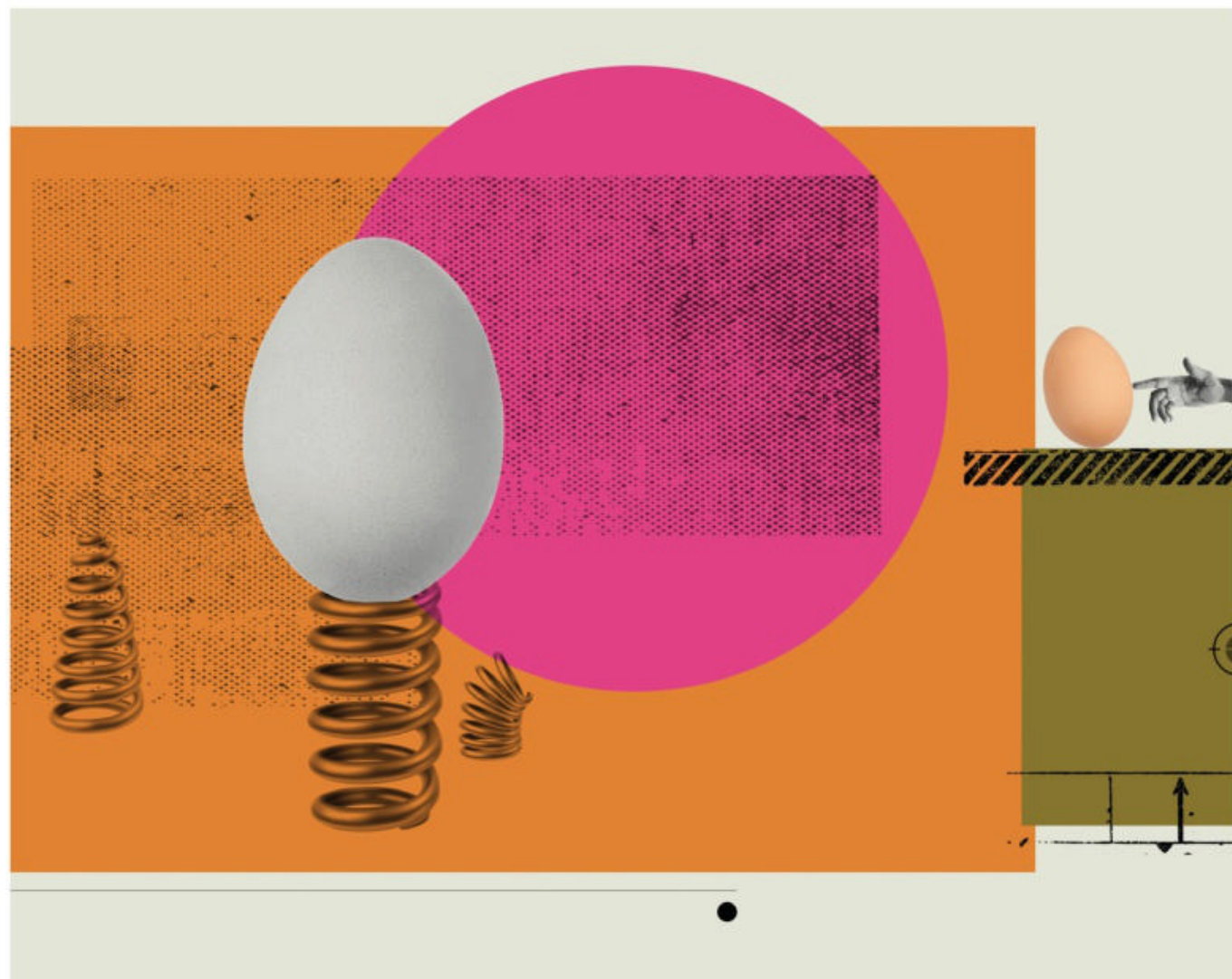
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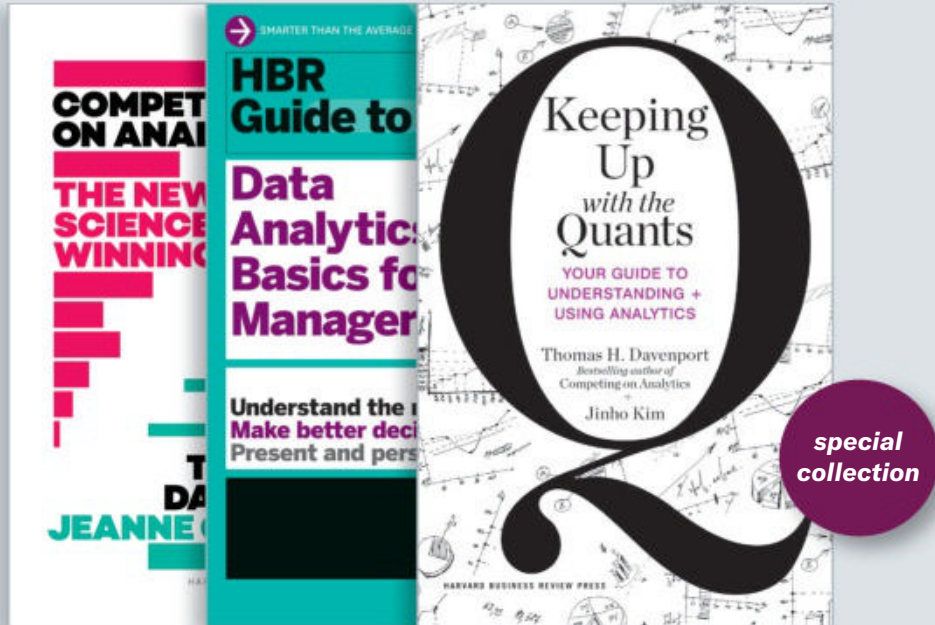
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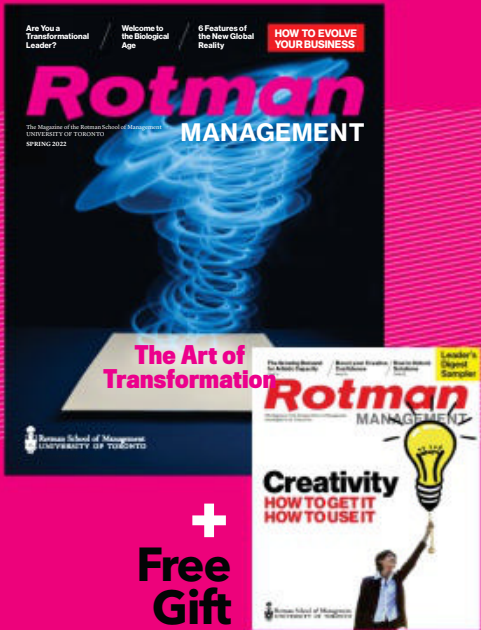
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HOW COMPANIES LEARN FROM MISTAKES

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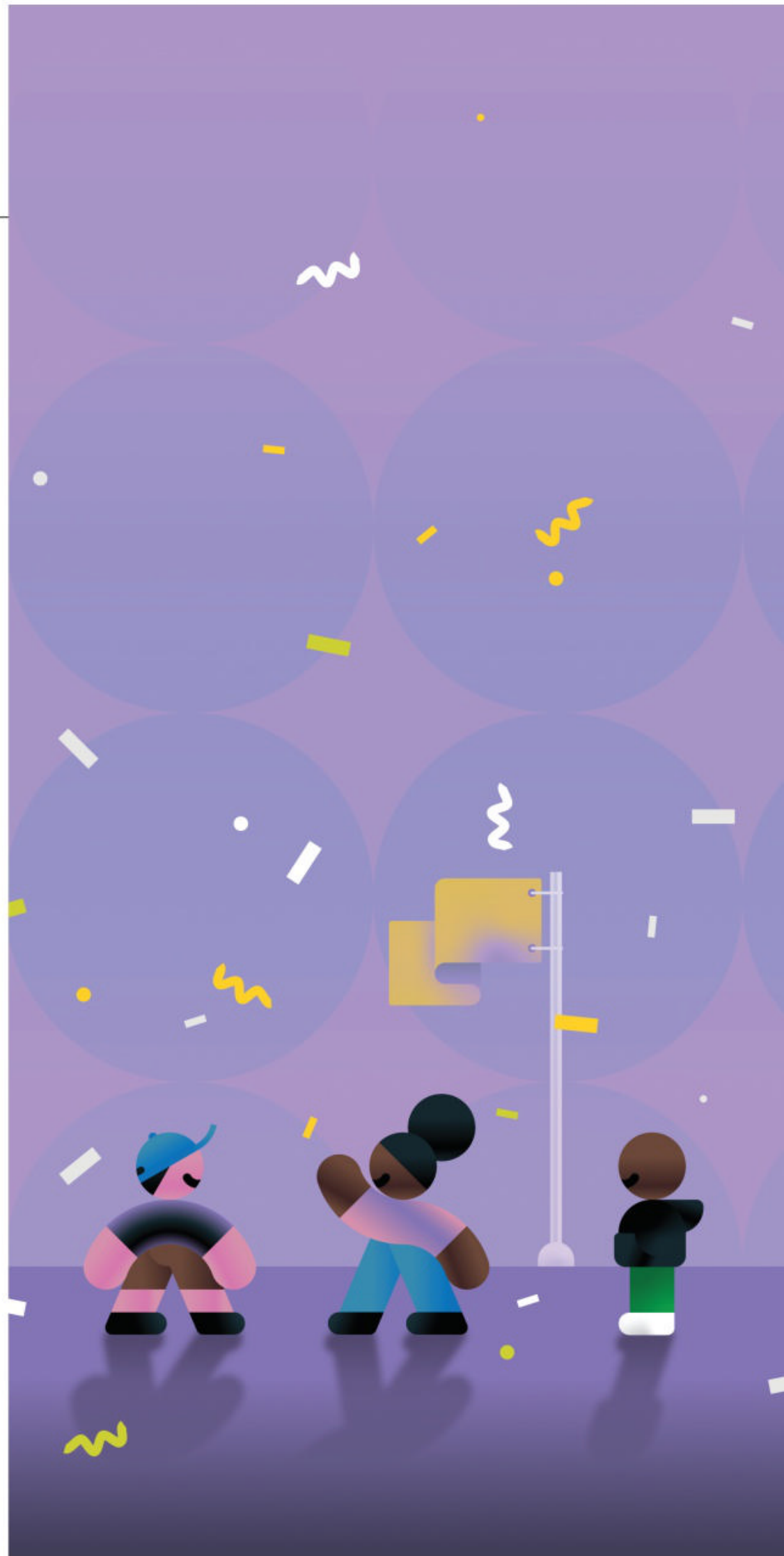
Why Leaders Don't Learn from Success

Failures get a postmortem.
Why not triumphs?

→ by FRANCESCA GINO and GARY P. PISANO

THE ANNALS OF business history are full of tales of companies that once dominated their industries but fell into decline. The usual reasons offered—staying too close to existing customers, a myopic focus on short-term financial performance, and an inability to adapt business models to disruptive innovation—don't fully explain how the leaders who had steered these firms to greatness lost their touch.

In this article we argue that success can breed failure by hindering learning at both the individual and the organizational level. We all know that learning from failure is one of the most important capacities for people and companies to develop. Yet surprisingly, learning from success can present even greater challenges. To illuminate those challenges—and identify approaches for overcoming them—we will draw







HOW COMPANIES LEARN FROM MISTAKES WHY LEADERS DON'T LEARN FROM SUCCESS

from our research and from the work of other scholars in the field of behavioral decision making, and focus on three interrelated impediments to learning.

The first is the inclination to make what psychologists call *fundamental attribution errors*. When we succeed, we're likely to conclude that our talents and our current model or strategy are the reasons. We also give short shrift to the part that environmental factors and random events may have played.

The second impediment is *over-confidence bias*: Success increases our self-assurance. Faith in ourselves is a good thing, of course, but too much of it can make us believe we don't need to change anything.

The third impediment is the *failure-to-ask-why syndrome*—the tendency not to investigate the causes of good performance systematically. When executives and their teams suffer from this syndrome, they don't ask the tough questions that would help them expand their knowledge or alter their assumptions about how the world works.

Lessons from Ducati

We began to examine the challenges of learning from success in 2004, when we did a case study of an organization with a long history of winning: the Ducati Corse motorcycle racing team. Motorcycle racing may seem a long way from the world of business, but in fact it provides a perfect laboratory for research on learning. Performance is unambiguously measurable by lap times and race results. You know with brutal precision whether you're getting better or worse. Racing is also unforgiving. The race is

Sunday, and it won't wait if you're late. Finally, the racing circuit is intensely competitive: During a season a dozen world-class teams battle each week for the top spot. For an organization like Italy's Ducati, wins have a huge impact on brand equity and commercial bike sales.

In 2003, Bologna-based Ducati entered the Grand Prix motorcycle racing circuit (or "MotoGP") for the first time. Being a newcomer, it approached 2003 as "a learning season," its team director told us. The goal was to acquire knowledge that would help it develop a better bike for future seasons. To that end, the team fitted its bikes with sensors that captured data on 28 performance parameters (such as temperature and horsepower). Riders were debriefed after every race to get input on subjective characteristics like handling and responsiveness. The team looked like a model learning organization.

Then something unexpected happened: The rookie team finished among the top three in nine races and was second overall for the season, and its bike was the fastest in the field. But with each success the team focused more on winning and less on learning, and it ended up analyzing little of the data it collected. As one team member commented, "You look at the data when you want to understand what's going wrong. You do not look at the data because you want to understand why you're performing well."

The successful season caused the team members to believe Ducati could win it all in 2004. After all, if they could finish second as rookies, why shouldn't they take first now that they had some

experience? This confidence manifested itself in the decision to radically redesign the team's bike for the 2004 season rather than incrementally improve the 2003 model.

More than 60% of the 2004 model's 915 components were new. But at the outset of that season, it became apparent that the bike had serious handling problems and that the team had made a big mistake in changing so much at once without giving itself the time to test everything.

Interestingly, the team still finished third overall that year—thanks to extensive experiments it conducted to understand the causes of the bike's problems. Though third place wasn't bad, it was viewed as a failure, given the high expectations. And this disappointment then triggered a comprehensive and ultimately quite effective reexamination of the team's approach to developing bikes. (One big change was to have the engineering group begin developing the bike for the next season much earlier, so it could be thoroughly tested before being raced.) The team turned in solid performances in the 2005 and 2006 seasons and took the world title in 2007. In short, success led the Ducati Corse team to stop learning, and only perceived failure caused it to start again.

After studying Ducati, we went on to conduct research in the entertainment, pharmaceutical, and software industries and performed experiments in the laboratory and in executive education classes. Again and again, we saw the same phenomenon. Ultimately, we recognized that there was a common cause: the three impediments to learning.

■ **Success led the Ducati racing team to stop learning, and only a perceived failure caused it to start again. After its disappointing third place finish, the team reexamined its approach to developing bikes.**

Making Dangerous Attribution Errors

In racing, many interdependent factors affect outcomes. Without a detailed analysis, it was impossible to know whether the Ducati team's performance in 2003 was due to its bike design, its strategy for particular races, its riders' talents and decisions, bad choices by other teams, luck, random events like the weather or crashes, or some complex combination of all those things. And without such knowledge (and given Ducati's long history of winning in other venues), it was too easy to attribute the team's excellent performance to the quality of its decisions, actions, and capabilities.

In business, likewise, any number of factors may lead to success, independent of the quality of a product or management's decisions. Yet it is all too common for executives to attribute the success of their organizations to their own insights and managerial skills and ignore or downplay random events or external factors outside their control. Imagine, for instance, that you are leading a team whose numbers are great: It's tempting to credit yourself or your team's actions for that achievement, though it may actually just be a stroke of good luck or the result of your competitors' problems.

Research (including a classic study by the psychologists Edward Jones and Victor Harris) has proved that this is normal human behavior. Moreover, when examining the bad performance of others, people tend to do the exact opposite. In exercises that we conducted in executive education classes

at Harvard, the University of North Carolina at Chapel Hill, and Carnegie Mellon University, most participants, when evaluating the success of others, minimized the role of leadership skills and strategy and maximized the role of external factors and luck.

Another study found that people also have trouble adjusting for the difficulty of the situation when judging successes. (See the sidebar "The Challenge of Discounting Easy Successes.") In business this bias can affect many critical decisions, including whom to hire or promote, which products to launch, and which practices to spread throughout the organization. Someone who has led a thriving business in a highly profitable industry, for instance, often appears more attractive than a similarly skilled or even more qualified candidate who has struggled to lead a firm in an industry in which most companies are failing.

We repeatedly observed pharmaceutical companies making these kinds of attribution errors in choosing which drugs to kill or push forward. They selected drugs whose initial tests were successful as potential winners and allocated more money to them for further testing and development. But often managers assumed a success was due to the unique abilities of their in-house scientists and didn't consider whether it could be due to greater general knowledge in that particular scientific area, which competitors might have, too.

In addition, we found that long lead times can blind executives to problems with their current strategies. Again, consider the pharmaceutical industry. Because it takes 12 years, on average, to get a drug from discovery to market,



Idea in Brief

Virtually all leaders recognize the need to learn from failures, but amazingly few try to understand the true causes of their firms' successes, which helps explain why great companies fall into decline.

The reality is, success can breed failure by hindering learning at both individual and organizational levels, in three interrelated ways:

1. When we succeed, we tend to give too much credit to our talents and our model or strategy and too little to external factors and luck.
2. Success can make us so overconfident that we believe we don't need to change anything.
3. We have a tendency not to investigate the causes of good performance.

Recognizing that these impediments exist is a big first step in overcoming them. Some basic practices also can help: systematic after-action reviews, tools like Six Sigma, and experiments that test assumptions about what is needed to achieve great performance.

■ When you're confronted with failure, it's natural to ask why disaster struck. Unfortunately, success does not trigger such soul-searching.

The Challenge of Discounting Easy Successes

The inability of people to adjust for degree of difficulty when assessing accomplishments was clearly demonstrated in a study that one of us, Francesca Gino, conducted with Don Moore of Berkeley and Sam Swift and Zachariah Sharek of Carnegie Mellon. Students at a U.S. university assumed the role of admissions officers for an MBA program and were presented with information about candidates' grade point averages as well as the average GPA at their colleges. In their decisions, the participants overweighted applicants' nominal GPAs and underweighted the effect of the grading norms at different schools. In other words, they didn't take into account the ease with which grades were earned.

a company's performance today has relatively little to do with its most recent actions and decisions. Yet both managers and investors often attribute today's high performance to the company's current strategy, management, and scientists.

Falling Prey to the Overconfidence Bias

Without some confidence, we could not make decisions or tackle any kind of risky endeavor; we would be constantly second-guessing ourselves. That said, too much confidence can be a problem, and nothing inflates confidence like success. Take Alan Greenspan, who until the near meltdown of the financial system in 2008 was considered one

of the best Federal Reserve chairmen in U.S. history. Afterward, it became apparent that Fed policy makers, led by Greenspan, had placed too much faith in their financial models. In testimony to Congress in October 2008, Greenspan acknowledged his own shock that the models had failed. And, of course, he was not the only one who succumbed to excessive confidence. During the housing boom, many leaders of large and small banks and managers of mortgage lending, investing, and trading operations stopped examining the key assumptions that underpinned the models they were using.

Success can make us believe that we are better decision makers than we actually are. In a simple recent study of managers in various industries, we asked members of one group to recall a time when they experienced a success in their professional lives and members of a second group to recall a time when they experienced a failure. We then asked people in both groups to engage in a series of decision-making tasks and embedded measures in the exercise that allowed us to assess their confidence, optimism, and risk-seeking behavior. Compared with the executives who'd recalled a failure, those who'd recalled a success were much more confident in their abilities, made more-optimistic forecasts of their future success, and were more likely to take bigger bets. These findings are consistent with research examining how success breeds overconfidence in other contexts. (See the sidebar "How Power Causes Us to Ignore Advice.")

Overconfidence inspired by past successes can infect whole organizations,

causing them to dismiss new innovations, dips in customer satisfaction, and increases in quality problems, and to make overly risky moves. Consider all the companies that grew rapidly through acquisitions only to stumble badly after biting off one too many; the countless banks that made ever-riskier loans in the past decade, sure of their ability to sort good borrowers from bad; and all the darlings of the business media that had winning formulas but did not try to update or alter their strategies until it was way too late.

Failing to Ask Why

When you're confronted with failure, it's natural to ask why disaster struck. Unfortunately, success does not trigger such soul-searching. Success is commonly interpreted as evidence not only that your existing strategy and practices work but also that you have all the knowledge and information you need. Several studies, as well as our own research, show that most people tend to think this way. (See the sidebar "How Success Makes Us Less Reflective.")

We have seen the same pattern in the real world. The efforts invested in understanding the causes of the recent financial crash dwarf the efforts that were made to understand why things seemed to be going so well before. In hospitals, doctors conduct rigorous "mortality and morbidity reviews" of cases that ended badly, but little systematic effort is made to understand why patients recover. Even Toyota, which built its vaunted production system around vigorous learning, was much better at uncovering the causes of its problems



than of its success. This was revealed by its recent recalls, when its leaders admitted that their success in pursuing higher sales and market share had blinded them to the fact that operations had essentially compromised quality to achieve growth.

A Simple Model of Learning

To avoid the success-breeds-failure trap, you need to understand how experience shapes learning. Learning is, of course, a highly complex cognitive and organizational process, and numerous models have been developed about it in the academic literature. Drawing from those, we present a simplified model that highlights the effect that success and failure have on learning.

We start with the premise that individuals and organizations at any point in time hold certain theories, models, principles, and rules of thumb that guide their actions. Your choices about the people you hire, the projects you fund (or terminate), the features you include in new product designs, and the business strategies you pursue are all influenced by them. Sometimes theories are quite sophisticated and rooted in science or decades of practical experience. But in many other cases, they are pretty informal—and we may not even be aware that they are swaying our decisions.

Learning is the process of updating our theories. In some cases personal experience alters them. For example, Steve Jobs recounted in a 2005 graduation speech at Stanford University how the inclusion of multiple typefaces and proportional spacing on the first Macintosh stemmed from the calligra-

How Power Causes Us to Ignore Advice

When we're in positions of authority and influence, we tend to shut out those bearing bad news.

Research that Francesca Gino recently conducted with Leigh Tost of the University of Washington and Rick Larrick of Duke University illustrated this phenomenon. In one study a group of participants (students from U.S. universities) were asked to write about

a time they had power over other people, a task that significantly boosted their level of confidence. Another group were asked to write about a time other people had power over them, a task that lowered their level of confidence. Then the participants were asked to make a series of decisions with the advice from an expert. When feeling confident, people placed more weight on their own

opinion than on the adviser's, even though following the adviser's recommendations would have improved their decisions.

In another study, similar feelings of confidence experienced by a team leader caused the leader to do most of the talking during the team discussion and, as a result, to fail to discover critical information that other team members had.

phy course he took after dropping out of college. But members of an organization also learn together. Experience with both winners (the iPod) and losers (the Newton) has caused Apple, as a company, to update its theories of what leads to successful products.

From this perspective, learning is all about understanding why things happen and why some decisions lead to specific outcomes. This understanding does not come automatically. We make a conscious choice to challenge our assumptions and models. And usually, we do so as the result of a failure. This has been true from the time we first tried to walk or ride a bicycle. We fall down, it hurts, and we try another approach. An amazing number of high-ranking executives report that early failures in their careers taught them lessons that ultimately led to their success. Failure provides a motivation for organizations to learn, too.

But what about success? Success does not disprove your theory. And if it isn't broken, why fix it? Consequently, when we succeed, we just focus on applying what we already know to solving problems. We don't revise our theories or expand our knowledge of how our business works.

Does success mean "it isn't broken"? Not necessarily. The reality is that while a success (or a string of successes) may mean you're on the right track, you can't assume this to be true without further testing, experimentation, and reflection. You should use success to breed more success by understanding it. Consider Jobs's decision to launch the iPhone, learn from that experience, and apply that knowledge to launch the iPad. Jobs and others at Apple were undoubtedly wary of plunging ahead with the iPad first because of the failure of Apple's Newton tablet in the 1990s. In a brilliant move, they recognized that a



How Success Makes Us Less Reflective

In a recent study we conducted in a controlled laboratory setting, students from U.S. universities were asked to work on two decision-making problems. Learning from experience on the first problem could help them perform well on the second. After submitting their solutions to the first problem, the participants were told whether or not they had succeeded. They were then given time to reflect before starting the second problem. Compared with the people who failed at the first problem, those who succeeded spent significantly less time reflecting on the strategies they'd used. This had a cost: Those who succeeded on the first task were more likely to fail on the second. They had neglected to ask why.

touchphone would be easier to launch, given the existing smartphone market, making it the ideal vehicle for Apple to learn about and perfect touch devices.

This example points to a better model for learning, one in which failure and success are on equal footing and both trigger further investigation that helps us revise our assumptions, models, and theories.

Five Ways to Learn

How can you avoid the traps we have discussed? Here are some approaches and strategies that you and your organization can use.

Celebrate success but examine it. There is nothing wrong with toasting your success. But if you stop with the clinking of the champagne glasses, you have missed a huge opportunity. When

a win is achieved, the organization needs to investigate what led to it with the same rigor and scrutiny it might apply to understanding the causes of failure.

Recognize that this may be an uncomfortable process. You may learn, for instance, that success was achieved only by happenstance. A biotechnology company we studied, which faced a serious shortage of capacity to produce an important new product, is a case in point. Just when it appeared that the firm would not be able to meet demand, its leaders discovered that a competitor had put a plant up for sale—a stroke of luck that allowed the company to buy all the capacity it needed. The product launched and was extremely successful. Instead of simply rejoicing in their good fortune and moving on, the company's leaders revisited why the introduction had gone so well. That review highlighted the part luck had played. And when they examined why the company had been so vulnerable in the first place, they learned that its demand-forecasting and capacity-planning processes were broken.

The search for causes of success may also identify factors that may be hard or even undesirable to replicate. In one project we studied, a group responsible for developing the software for a complex electronic system was so far behind, it risked delaying a strategic launch. By doubling the size of the team and working 80-hour weeks, the group finished in the nick of time. The product was a major commercial hit. Even so, the company wisely conducted a detailed postproject assessment. While lauding the software development

team's dedication, the assessment highlighted critical problems in its process that needed to be fixed.

Institute systematic project reviews. The military holds “after-action reviews” (AARs) of each combat encounter and combat-training exercise, irrespective of the outcome. As in business, the reasons for success or failure in combat often are not clear. AARs are debriefs that, when used properly, generate specific recommendations that can be put to use immediately. Companies can employ the same process, which is relatively straightforward. Like sports coaches and players who convene right after a game to review a team's performance, AAR participants meet after an important event or activity to discuss four key questions: What did we set out to do? What actually happened? Why did it happen? What are we going to do next time?

Pixar, which has had 11 hit animated films in a row (and therefore is an organization that would be very vulnerable to the kinds of traps we have discussed), conducts rigorous reviews of the process used to make each of its films. In “How Pixar Fosters Collective Creativity” (HBR September 2008), Ed Catmull, the president of Pixar, confessed that people don't like to do them and would prefer to just celebrate victories and move on. So Pixar employs various methods to ensure that team members don't game the system and are engaged in the process. It might ask participants the top five things they would do and the top five things they would not do again. It changes the format of postmortems from time to time. It religiously collects data about all aspects of a production and

■ If the chief lesson of a successful project is a list of things to do the same way the next time, consider the exercise a failure.

uses them to “stimulate discussion and challenge assumptions arising from personal impressions” during the postmortems. Finally, it periodically conducts a review across several productions and tries to get someone with an outsider’s perspective (a newly hired senior manager, for example) to head it.

The challenge, of course, is to apply the same degree of rigor whether things are going well or badly. Consider performance evaluations. We all tend to spend much more time reviewing the performance of the employee who is struggling than of the one who is cruising along. However, understanding the reasons behind the good performance of successful employees may bring to light important lessons for others.

Use the right time horizons. When the time lag between an action and its consequences is short, it’s relatively easy to identify the causes of performance. The problem is that in many cases, the feedback cycle is inherently long. In industries like pharmaceuticals and aerospace, decisions made today about new products or specific technologies to pursue will not bear fruit (or flop) for a decade or more. Unless you have the appropriate time frame for evaluating performance, you are likely to misconstrue the factors that led to success or failure. By understanding the appropriate time dimensions, you can prevent yourself from being “fooled by randomness” (to use Nassim Nicholas Taleb’s famous phrase).

Recognize that replication is not learning. When things go well, our biggest concern is how to capture what we did and make sure we can repeat the success. Replication is important; we

need to spread good practices throughout our organizations. But if the chief lesson from a successful project is a list of things to do the same way the next time, consider the exercise a failure.

Tools like Six Sigma and total quality management have taught us to dig into root causes of problems. Why not use the same approach to understand the root causes of success? Institute a phase in the process where each factor that contributed to success is classified as “something we can directly control” or “something that is affected by external factors.” Factors under your control can remain part of your winning formula. But you need to understand how external factors interact with them.

If it ain’t broke, experiment.

Experimentation is one way to test assumptions and theories about what is needed to achieve high levels of performance. And it should continue even after a success. This happens all the time in scientific research and in engineering. Engineers routinely subject their designs to ever-more-rigorous tests until the thing they are designing actually breaks. Organizational experiments can also be conducted to push boundaries. Of course, the costs and impact of such experiments need to be managed carefully (to avoid severe financial consequences or harming customers). The right question for leaders of learning organizations to ask is not “What are we doing well?” but rather “What experiments are we running?”

THE PATH TO effective learning involves simple but counterintuitive steps: Managers must actively test their theories,

even when they seem to be working, and rigorously investigate the causes of both good and bad performance. Ironically, casting a critical eye on your success can better prepare you to avoid failure. Some may consider this to be an art. But in fact it is much more of a science.

Filippo Preziosi, general director for the Ducati Corse team, reflected on this point in the context of racing-bike design: “In racing, when you make a change, you only care whether or not it leads to superior performance. You tend to care less why something works. But over the long term you need to know why. This is the science.” ☹

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HOW COMPANIES LEARN FROM MISTAKES



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Increase Your Return on Failure

→ by JULIAN BIRKINSHAW and MARTINE HAAS

ONE OF THE most important—and most deeply entrenched—reasons why established companies struggle to grow is fear of failure.

Indeed, in a 2015 Boston Consulting Group survey, 31% of respondents identified a risk-averse culture as a key obstacle to innovation.

Senior executives are highly aware of this problem. On one hand, they recognize the usefulness of failure. As 3M's legendary chairman William McKnight once said, "The best and hardest work is done in the spirit of adventure and challenge...Mistakes will be made." Pixar's president, Ed Catmull, has a similar point of view. "Mistakes aren't a necessary evil," he has said. "They aren't evil at all. They are an inevitable consequence of doing something new....and should be seen as valuable."

On the other hand, management processes for budgeting, resource allocation, and risk control are built on predictability and



Assessing a Project's Return on Failure

Even when initiatives flop, they can still provide tremendous value to your organization—if you examine them carefully and capture the critical lessons.

To get a complete picture of the benefits and costs of your failed project, answer the following questions:

Assets

- What have we learned about our customers' needs and preferences and our current markets? Should we change any of our assumptions?
- What insights have we gained into future trends? How should we adjust our forecasts?
- What have we discovered about the way we work together? How effective are our organizational processes, structure, and culture?
- How did we grow our skills individually and as a team? Did the project increase trust and goodwill? Were any developmental needs highlighted?

Liabilities

- What were the direct costs—for materials, labor, and production?
- What were the external costs? Did we hurt our reputation in the market or with customers, or weaken our competitive position?
- What were the internal costs? Did the project damage team morale or consume too much attention? Was there any organizational fallout?

The Bottom Line

What are the key insights and takeaways for the business?

To download a worksheet your team can use to capture the lessons of failed projects, visit this article on [HBR.org](https://hbr.org).

efficiency, and executives get promoted by showing they're in control. So even if people understand that they can and *should* fail, they do everything possible to avoid it.

But there's a way to resolve this conundrum: Rigorously extract value from failure, so you can measure—and improve—your return on it, boosting benefits while controlling costs.

In a return on failure ratio, the denominator is the resources you've invested in the activity. One way to raise your return is by reducing this number—by keeping your investments low. Or you can deliberately sequence them, starting with small amounts, until major uncertainties have been resolved. The numerator is the “assets” you gain from the experience, including information you gather about customers and markets, yourself and your team, and your operations. Increasing these is the other way to boost your return.

In the 10-plus years we've spent researching team and organizational dynamics and working with more than 50 companies across a dozen industries, we've found that when people adopt the right mindset, they can increase this ratio—not just by minimizing the downsides of projects but also by maximizing the upsides. Some failures provide immediate value in the form of market insights that can be capitalized on. Others provide broader lessons that lead to significant personal or organizational development.

There are three steps you can take to raise your organization's return: First, study individual projects that did not pan out and gather as many insights as possible from them. Second, crystallize

those insights and spread them across the organization. Third, do a corporate-level survey to make sure that your overall approach to failure is yielding all the benefits it should.

STEP 1

Learn from Every Failure

Begin by getting people to reflect on projects or initiatives that disappointed. Of course, this doesn't come naturally: Reviewing past problems isn't just tedious; it's painful. Most of us would prefer to invest our time looking forward, not back. To help people answer the right questions, we've developed an exercise that categorizes all the sources of value that might accrue from a failed project and all the costs. (See “Assessing a Project's Return on Failure.”) Though we've just begun to test it in organizations, so far it's yielding promising results. (See the sidebar “Experimenting with Failure Reviews at Roche.”)

When something doesn't go as planned, it's an opportunity to challenge your default beliefs and adjust accordingly. We recommend spelling out what the project has taught you about each of these things: customers and market dynamics; your organization's strategy, culture, and processes; yourself and your team; and future trends. These insights, of course, are the assets. Our exercise also has you compile a list of the associated liabilities—the project's direct costs in time and money, any external costs (reputation, for example), and any internal indirect costs (such as excessive consumption of management attention).

Consider how this approach played out at a daily newspaper in the UK.

■ When something doesn't go as planned, it's an opportunity to challenge your default beliefs and adjust accordingly.

A few years ago the CEO asked one of his brightest young editors to work with colleagues from marketing, design, and technology to prototype a new tabloid format and test it with customers. The experiment led to two important realizations: First, despite what people said in market research studies, they preferred traditional broadsheets or digital alternatives. Second, the small cross-functional team was a highly effective way to develop new editorial products. But perhaps the biggest lesson was a personal one. Because the young editor in charge of the project felt he had failed, he took a job elsewhere. Though the CEO might have chalked this up only in the liability category, he turned it into an asset by recognizing where he had made a critical misstep and growing from it. The young editor “thought he was developing a pilot, where success is about making it work,” the CEO told us. “But for me it was an experiment, where success is about confirming or refuting a hypothesis. I should have been much more explicit with him.” The CEO publicly took full blame for the departure and committed to communicating more clearly and encouraging a culture of experimentation going forward.

A second example comes from an elite consulting firm that lost a juicy new government contract to a much less prestigious competitor. This was a big and unexpected blow. But through a painstaking review, including an hour-long discussion in an executive committee meeting, the team members involved increased their return on this failure. They realized that the government's selection criteria were subtly different from what they had expected

and that their competitor had been far more savvy in understanding what was needed and working with officials to position its bid. As the discussion progressed, deeper insights began to surface. The team had misjudged the criteria because it had been complacent, making assumptions instead of investing time in finding out what the government wanted. And the firm hadn't even put its best people on the job, assuming its brand would be enough. “The truth is, we didn't take the whole process nearly as seriously as our competitor did, and we got burnt,” one executive commented. In other words, the real value of the failure was learning that the firm needed to dramatically change how it responded to opportunities.

We've found that when you encourage people to talk about projects in this way, the resulting conversation is illuminating. It forces them to think about everything they've learned, how that might help them move forward, and all the positive side effects gleaned from the experience.

STEP 2

Share the Lessons

While it's useful to reflect on individual failures, the real payoff comes when you spread the lessons across the organization. As one executive commented, “You need to build a review cycle where this is fed into a broader conversation.” When the information, ideas, and opportunities for improvement gained from an unsuccessful project in one business area are passed on to another, their benefits are magnified.

Shared learning also increases the likelihood of future initiatives. “The



Idea in Brief

THE PROBLEM

Though leaders know that they must tolerate and even embrace failure in the pursuit of innovation and growth, most will still do anything they can to avoid it.

THE SOLUTION

Increase acceptance of failure by improving your return on it: Rigorously extract and document the benefits of blown projects, including insights about customers, markets, the team and people involved, future trends, and the organization's structure, processes, and culture.

ADDING VALUE

To magnify the return, ensure that those lessons are shared across groups and divisions and routinely review your overall approach to failure to make sure you're achieving the right balance.



Experimenting with Failure Reviews at Roche

Pharmaceutical companies operate in a high-stakes environment where the rewards for successful innovation are huge, but the vast majority of drug discovery projects fail. As a leading player in the industry, Roche is always on the lookout for ways of working that will help it get the right balance between risk taking and caution.

To capture the benefits of experimentation, a cross-business team at Roche launched an initiative in 2015 implementing individual project-failure reviews. They identified 10 teams (of six to 15 people) working in different parts of the company and asked the leader of each to conduct a three-month pilot.

In kickoff meetings, groups were reminded

of the importance of learning from failure and then asked to discuss a recent failed project. At two to four more follow-up meetings, team members were encouraged to share more examples of their own failures.

Participants embraced the process tentatively. As one team leader explained, “In the first meeting some people were very guarded, but the second worked much better and went on longer than planned.” But another leader said that as the pilot progressed, he was “surprised by how candid people were with each other.”

The reviews helped many participants recognize the personal growth they’d derived from failures. One manager

described a project that had been derailed because she pushed it too far along without buy-in from other internal stakeholders. Another talked about being so focused on hitting his numbers in a new leadership role that he failed to pick up on problems that members of his team were having. Both learned from those incidents and changed their tactics accordingly.

Other participants noted new insights about their customers or markets. One team realized it had lost a major sale because it was so focused on its own agenda that it wasn’t listening to or addressing its customer’s questions. In another case, the failure happened because a team

hadn’t discerned who the real decision maker in the client organization was. Their main contact appeared to be in charge of the bid and gave them information, but he was not that influential. Those discussions helped Roche improve how it managed key relationships.

Another general benefit was team building. “It was a great opportunity to help my newly formed team work more collectively,” said one leader. Another agreed: “The process helped us diffuse some tensions in the group.”

Suggestions for improvement to the process also surfaced. For instance, one team leader suggested steering the discussion toward

specific and recent projects to ensure that the recommendations generated were immediately relevant. “Some people protected themselves a bit, talking about things that happened a couple of years ago, which is fine if you want to improve the team’s sharing culture, but the market-based insights are more limited,” she noted.

But all the team leaders agreed that structured, semiformal failure reviews were useful. As one put it: “It doesn’t come naturally to share failures, and you have to give people time, so you cannot really do this as part of the regular rhythm of meetings. You need to create the space for it to happen, to put it on the calendar.”

biggest mistake you can make as a leader is to shoot the messenger and bury the bad news,” one executive noted. By reflecting on the positives, you build trust and goodwill and clear the pathway for others to take action on riskier ideas.

We recommend bringing senior leaders (across a unit or the whole organization) together on a regular basis to talk about their respective failures. These reviews work best when they are *fast* and to the point; take place *frequently*,

through good times and bad; and are *forward-looking*, with an emphasis on learning. We call them Triple F reviews.

When Kal Patel was brought in as head of Best Buy’s Asian operations, in 2009, he implemented this approach. The company had acquired a Chinese retail chain, Five Star, a few years earlier, and it was performing well. But the Best Buy branded stores were struggling. Patel pushed the store managers to make a lot of changes—new layouts, ways of work-

ing with suppliers, and pricing models—and instituted weekly unit meetings. “On Friday mornings, we’d have a review: What did you set out to learn? What did you learn? What is it costing you? Bang, five to 10 minutes, move on to the next team.” Ultimately, he recommended closing down all the Best Buys in China. But because he was also overseeing the Five Star chain, he was able to transfer a lot of the insights gleaned to that operation and retain most employees, and he

■ Failure is less painful when you extract the maximum value from it.

also conveyed what he'd learned to other members of the leadership team.

Another example comes from a dairy food manufacturer. A review of a failed technology project revealed that although problems had surfaced two months in, it took the investment committee four more months to pull the plug. When the team leader pointed this out to his colleagues and bosses, there was momentum for a faster-cycle review process to ensure that failing projects would be killed more quickly in the future.

We have even seen some organizations create formal structures for sharing lessons from failures with all employees. At Engineers Without Borders International, a not-for-profit that strives to improve the quality of life in disadvantaged communities worldwide, executives were so frustrated with the limited knowledge transfer among their various affiliates that they launched an annual "failure report" that publicized, for all to see, the projects that were the biggest flops.

Informal approaches work too, however. The key is to capture relevant lessons with sayings or stories that catch on beyond the project's immediate circle and eventually become corporate folklore. At the UK newspaper, the CEO's distinction between pilot and experiment was repeated around the company. At the elite consulting firm, the tale of the lost bid became a shorthand way to remind colleagues to check their arrogance. At Coca-Cola, stories about the failure of New Coke are still told 30 years on.

STEP 3

Review Your Pattern of Failure

The third step is to take a bird's-eye view of the organization and ask

whether your overall approach to failure is working. Are you learning from every unsuccessful endeavor? Are you sharing those lessons across the organization? And are they helping you improve your strategy and execution?

Venture capital firms are very disciplined about examining their review process in this way. At Hoxton Ventures, for instance, partners sit down for half a day every quarter and go over the businesses they've invested in, asking if they've gotten something fundamentally wrong and looking for patterns. "It's easy to be swayed by one big success or failure," says partner Hussein Kanji, "so we push ourselves to do this systematically." At the 2008 Future of Management conference, Silicon Valley investor Steve Jurvetson observed, "You have to strive for a process of decision making that over a large number of decisions gives good outcomes. It's not 'Are we making good decisions?' but 'Do we have a process for making decisions that is statistically working?'"

These discussions should help you determine whether your failure rate is too high, too low, or just right. Sometimes you'll find you need to tighten up your systems. Consider a mining company we worked closely with. In the early 2000s it was obsessive about its post-investment review process. Projects that did not yield a positive return were analyzed carefully and then analyzed again. But during the resource industry boom of the mid-2000s, the company got overconfident, and enthusiasm for these reviews faded. They still happened, but inconsistently. The company subsequently made two spectacularly bad acquisitions, leading

to a massive write-down and a change in leadership. The new CEO, unsurprisingly, came in with a "back to basics" mandate, including a return to the old post-investment review process.

In other cases a corporate-level review will show that you need to nudge your people toward greater openness to failure. We've seen several firms create awards celebrating failure: New York agency Grey has a Heroic Failure award; NASA has a Lean Forward, Fail Smart award; and the Tata Group has a Dare to Try award, which had 240 submissions in 2013. "We want people to be bold and to not be afraid to fail," Sunil Sinha, the head of Tata Quality Management Services, told *Bloomberg Businessweek* in 2009.

FAILURE IS LESS painful when you extract the maximum value from it. If you learn from each mistake, large and small, share those lessons, and periodically check that these processes are helping your organization move more efficiently in the right direction, your return on failure will skyrocket. ☺

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HOW COMPANIES LEARN FROM MISTAKES

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Failing By Design

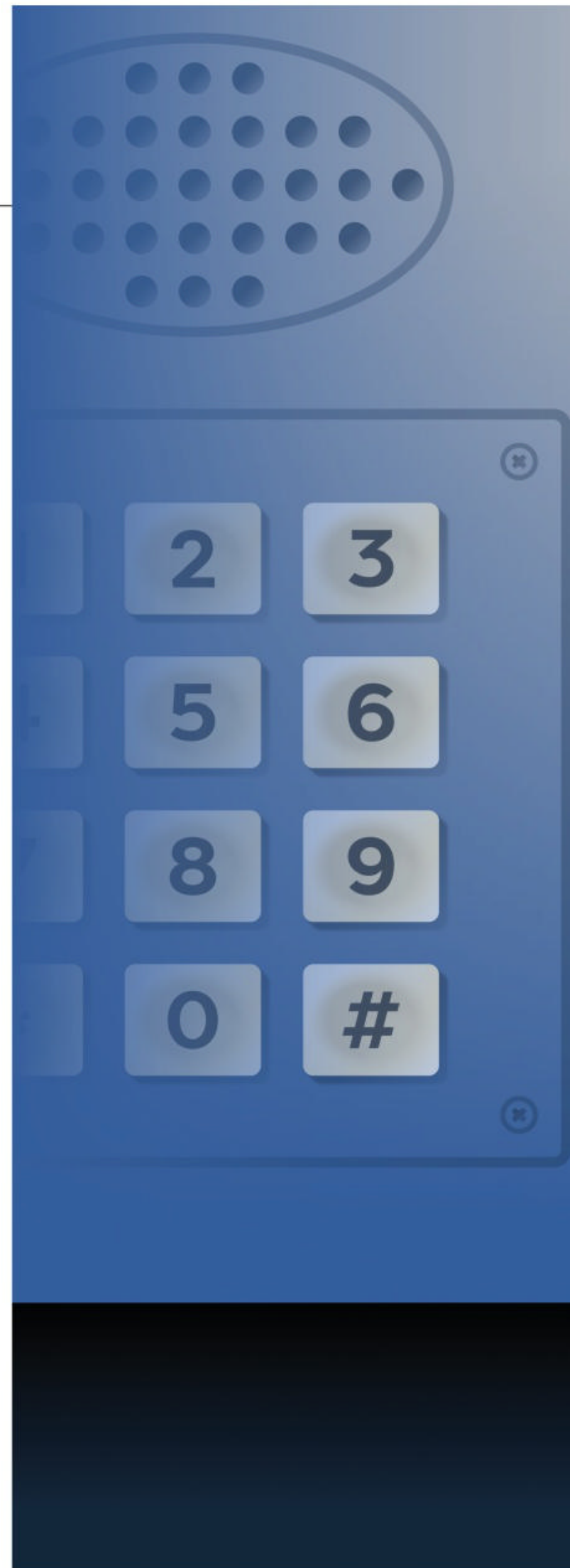
Uncertain environments call for experimentation. Here's how to set up the trials—and learn from the errors.

→ by RITA GUNTHER McGRATH

IT'S HARDLY NEWS that business leaders work in increasingly uncertain environments. Nor will it surprise anyone that under uncertain conditions, failures are more common than successes. And yet, strangely, we don't design organizations to manage, mitigate, and learn from failures. When I ask executives how effective their organizations are at learning from failure, on a scale of one to 10, I often get a sheepish "Two—or maybe three" in response. As this suggests, most organizations are profoundly biased against failure and make no systematic effort to study it.

Executives hide mistakes or pretend they were always part of the master plan. Failures become undiscussable, and people grow so afraid of hurting their career prospects that they eventually stop taking risks.

I'm not going to argue that failure per se is a good thing. Far from it: It can waste money, destroy morale, infuriate customers, damage reputations, harm careers, and sometimes lead to tragedy. But failure is inevitable in uncertain environments, and, if managed well, it can be a very *useful* thing. Indeed, organizations can't possibly undertake







HOW COMPANIES LEARN FROM MISTAKES FAILING BY DESIGN

the risks necessary for innovation and growth if they're not comfortable with the idea of failing.

An alternative to ignoring failure is to foster "intelligent failure," a phrase coined by Duke University's Sim Sitkin in a terrific 1992 *Research in Organizational Behavior* article titled "Learning Through Failure: The Strategy of Small Losses." If your organization can adopt the concept of intelligent failure, it will become more agile, better at risk taking, and more adept at organizational learning.

How Failure Can Be Useful

Some of the failures I'm about to describe were the results of intentional experiments. Others were completely unplanned and unexpected. But all of them provide valuable takeaways. A certain amount of failure can help you:

Keep your options open. As the range of possible outcomes for a course of action expands, the chances of that action's succeeding diminish. You'll improve your odds if you make more tries. This is the logic driving businesses that operate in highly uncertain environments, such as venture capital firms (whose success rates range from about 10% to about 20%), pharmaceutical companies (which typically create hundreds of new molecular entities before coming up with one marketable drug), and the movie business (where, according to one study, 1.3% of all films earn 80% of the box office).

Learn what doesn't work. Many successful ventures are built on failed projects. Apple's Macintosh computers emerged in part from the ashes of

a now-forgotten product called Lisa, which introduced a number of the graphical user interfaces and mouse operations in today's computers.

In truly uncertain situations, conventional market research is of little use. If you had asked people in 1990 what they would be willing to pay for an internet search, no one would have known what you were talking about. A massive amount of experimentation was needed before workable search engines emerged. Early entrants sought to be paid for doing the searches themselves. Later, companies explored business models based on advertising. Later still, Google developed a system to maximize the profitability of the ad-based model. Without all that trial and error, it's highly unlikely that Google could have built the algorithm-based juggernaut so familiar today.

Create the conditions to attract resources and attention. Organizations tend to move on to new projects rather than fix systemic problems with existing ones. Let something big go wrong, though, and it's all hands on deck!

I was personally introduced to how failure can be used strategically years ago, when I worked for the City of New York. I ran an IT group charged with installing an automated procurement system. I was blissfully unaware of how challenging it would be to gain political support and financial resources for the project. Luckily, my boss was a political genius. One afternoon, while I was running some analytics, I learned that the data in the old system had become corrupted. I leaped into action, determined to save the day. But after

I ran my plan past my boss, he quietly said, "Don't do any of that. Sometimes things have to fall apart before anybody musters the will to fix them." He was absolutely right. The failure of the old system created a compelling argument for the new one and was a turning point in gaining support.

Make room for new leaders. Sad but true: Even today many leadership positions are held by people very much like those who selected them. Entire industries have suffered the consequences of "lifers" who don't challenge unspoken assumptions and taken-for-granted rules. Only when those assumptions and rules are proven ineffective—often, unfortunately, in the course of great trauma—do boards recruit fresh leaders. The change can be surprisingly beneficial. The U.S. auto industry provides a case in point. Who would have thought that Alan Mulally, a former senior executive at Boeing, would be an inspirational turnaround CEO for Ford?

Develop intuition and skill. Researchers say that what people think of as intuition is, at its heart, highly developed pattern recognition. Those who have never faced a negative outcome have a critical gap in the body of experience that intuition is based on. Many venture capitalists won't invest in a new enterprise if the founder has never undergone failure.

Microsoft's successful entrant in the game business, the Xbox 360, was developed by a team that had worked on 3DO's failed game console, the unsuccessful WebTV, Apple's problematic video card business, and Microsoft's own short-lived UltimateTV. Having

■ Many venture capitalists won't invest in a new enterprise if the founder has never undergone failure.

been through so many disappointments, the team members were able to spot warning signs and make smart course corrections. For example, the earlier Xbox had used expensive chips from outside manufacturers, and it reportedly lost about \$4 billion from 2001 to 2005. The Xbox 360 team chose different manufacturers, worked in close partnership with them to develop the chips, and retained intellectual property rights to the chips, allowing the system to generate profits very early on.

Putting Intelligent Failure to Work

Obviously, not all failures are useful, and even some that we could learn from should be avoided at all costs. But if you accept that failures will sometimes occur in uncertain environments, it makes sense to plan for, manage, and learn from them—and in many cases to consider them experiments rather than failures. (See the sidebar “How to Walk Away from a Project Intelligently.”) Here are seven principles that can help your organization leverage learning from failure.

PRINCIPLE 1

Decide what success and failure would look like *before* you launch an initiative.

It never ceases to amaze me how often people working on the same project have entirely different views of what would constitute success. In one case I studied, an organization that made environmental remediation equipment was hoping to introduce a new product

line. The marketing group thought the equipment's selling point was that it met a tough new regulatory standard. The engineering group thought the point was cost-effectiveness—and to keep costs down, it was designing out the very features the marketing group wanted to sell. This gap in understanding could easily have led to a failure of the unintelligent variety. But the company found out about it in time to get everyone on the same page and prevent what could have been a marketplace disaster.

PRINCIPLE 2

Convert assumptions into knowledge.

When you're tackling a fundamentally uncertain task, your initial assumptions are almost certain to be incorrect. Often the only way to arrive at better ones is to try things out. But you shouldn't start experimenting until you've made your assumptions explicit. Write them down and share them with your team. Then make sure that you and your team are open to revising them as new information comes in. The risk is that we all have a tendency to gravitate toward information that confirms what we already believe—it's called confirmation bias. A practical way to address this bias is to empower one of your team members to seek out information that suggests your course of action is flawed. You want to find disconfirming information early, before you've made extensive commitments and become resistant to changing your mind.

Organizations that don't record their assumptions tend to run into two big problems. First, assumptions become converted into facts in people's minds.



Idea in Brief

If you're launching a new business, creating a new product, or developing a new technology, the principles of intelligent failure provide both logic and a safety net.

Decide what you're trying to do and what success would look like.

Be explicit about the assumptions you're making and have a plan for testing them throughout the project.

Design the initiative in small chunks so that you learn fast, without spending too much money. Don't try to learn more than one significant thing at a time.

Create a culture that shares, forgives, and sometimes even celebrates failure.



How to Walk Away from a Project Intelligently

Even companies with a highly disciplined process for beginning new projects seldom have a good one for getting out. A solid disengagement process includes these steps:

- | | | | |
|--|--|---|---|
| 1. Decide in advance on periodic check-points for determining whether to continue. | 3. Compare the project with other candidate projects that need resources. If this one looks less attractive than they do, it may be time to stop. | continue, instead of leaving it up to project team members. | termination; draw up a plan to address disappointment or damage they might suffer. |
| 2. Evaluate the project's upside against the current estimated cost of continuing. If it no longer appears that the project will deliver the returns anticipated at the outset, it may be time to stop. | 4. Assess whether the project team may be falling prey to escalation pressures. | 6. If the decision is made to stop, spell out the reasons clearly. | 9. Use a symbolic event—a wake, a play, a memorial—to give people closure. |
| | 5. Involve an objective, informed outsider in the decision about whether to | 7. Think through how capabilities and assets developed during the course of the project might be recouped. | 10. Make sure that the people involved get a new, equally interesting opportunity. |
| | | 8. Identify all who will be affected by the project's | |

During a meeting, a manager might venture a guess that a given market could generate \$5 million in sales—and before the meeting ends, the \$5 million is baked into next year's budget! This sort of leap causes all kinds of dysfunctional behavior when the guess, almost inevitably, turns out to be wrong. Second, such organizations don't learn as much as they could. They may right their course as they proceed, learning as they go, but if they're not rigorous about comparing results with expectations, the lessons won't be explicit and shared, and future projects won't benefit from them.

Having spelled out and revised your assumptions, you should then design

the organizational equivalent of an experiment to test them. As with a scientific experiment, the idea is that whether or not the outcome is what you'd hoped for, at least you will have learned something.

PRINCIPLE 3

Be quick about it—fail fast.

Quick, decisive failures have a number of important benefits. First, they can save you from throwing additional resources at a losing proposition. Second, it's much easier to establish cause and effect when actions and outcomes are close together in time. Third, the sooner you can rule out a given course of action, the faster you will move toward

your goal. And finally, an early failure lessens the pressure to continue with the project regardless, because your investment in it is not large.

A practical way to help ensure that any failure happens quickly is to test elements of your project early on. This is the main reason that “agile software development” often produces better results than the more conventional sequential process of systems design. In an agile environment, small chunks of code are written and shared in a quick, iterative fashion with other programmers and users before the team moves on. This is in sharp contrast to the approach in which analysts spend months documenting user requirements before submitting those requirements to programmers, who only then begin coding. By the time a problem is discovered, a project could have been heading in the wrong direction for years.

Speed may require changing how you allocate resources. Instead of going for maximum NPV over a project's lifetime, for example, you may want to break the financial evaluation into smaller chunks in terms of both money and time. You may also want to invest in more-flexible assets and people until you have learned enough to confidently build a significant operation.

And the human benefits of failing fast should not be overlooked. If people feel that a project's failure will doom them to months of waiting for another project, or to losing their jobs, then failure is demoralizing. But if lots is going on and the conclusion of one effort means that they'll immediately get put on another (possibly more interesting) project, then endings can be positive. At the technical

■ If you accept that failures will sometimes occur in uncertain environments, it makes sense to plan for, manage, and learn from them.

consultancy Sagentia, for example, employees are quick to move from project to project. The finance director, Neil Elton, told me, “They’ll proactively send around e-mails with a mini CV, saying, ‘I was going to be busy, now I’m not. Can you use my skills?’” This attitude is symptomatic of an organization that knows how to experiment intelligently.

PRINCIPLE 4

Contain the downside risk—fail cheaply.

This is an important corollary to failing fast. Initiatives should be designed to make the consequences of failure modest. Sometimes it’s valuable to test a small-scale prototype before making a significant investment. When the Japanese cosmetics firm Kao was considering going into the manufacture of floppy disks, a big question was whether or not customers would buy Kao-branded disks. So the company went to another manufacturer and bought disks that met its quality standards, put the Kao label on them, and offered them to customers. The response was positive, so the plan moved forward. Had the response been negative, Kao could have stopped the project without incurring substantial costs.

This approach may require breaking ingrained habits. The chief innovation officer of a highly technical company I worked with observed that the company would typically get “some guy in a white lab coat” to do a technical feasibility study before deciding whether to enter a new product area. Such studies are not only expensive—upward of \$200,000—but also relatively unindicative of business feasibility. So the innovation

officer started making mock-ups of potential new products and showing them to prospective customers. In many instances the company learned that nontechnical issues, such as form factor, usability, and fit with existing systems, would have prevented customers from adopting a product. The difference in cost between the approaches was an order of magnitude: A typical mock-up cost around \$20,000. The difference in speed was also considerable: a few weeks rather than nine to 12 months.

3M’s reputation for being failure tolerant took a beating under former CEO Jim McNerney, a GE-trained leader who sought to utilize Six Sigma quality practices throughout the company, even in its research labs. Although these worked wonders in 3M’s factories, the emphasis on generating predictable results hampered employees’ willingness to take risks on unproven ideas. When George Buckley took the reins as CEO, in 2005, part of his challenge was to restore the culture of risk taking. He discontinued the use of Six Sigma in the labs and spurred scientists and researchers to pursue new ideas—provided that the downside was small. During the recession, 3M’s historical philosophy of “make a little, sell a little” when introducing a new product was successfully coupled with Buckley’s emphasis on bottom-of-the-pyramid innovations—inexpensive items that could appeal to very broad markets.

PRINCIPLE 5

Limit the uncertainty.

There isn’t much point to encouraging failure in an arena your organization is already familiar with. But experiencing

What Are Your No-Fail Zones?

Leaders need to be clear about where failure will be tolerated—and where it won’t. Mike Eskew, the former CEO of UPS, put the customer experience out of bounds: “We fail in such a way that it never touches the customer,” he said. In practice this meant that UPS didn’t experiment with moving, paying for, or otherwise interacting with a package. In all other respects it permitted—even encouraged—entrepreneurial experiments that stretched the century-old company.

it in an arena completely divorced from your current capabilities won’t do you much good either: You probably won’t be able to use what you find out, because you won’t understand the context and you won’t know how to connect what you’ve learned to your existing knowledge base.

Google, which is ordinarily very good at experimentation, went too far afield when it tried to launch a non-internet radio venture. The company wanted to automate the pricing of radio ads, as it had with internet ads. Radio stations would give Google a portion (ideally all) of their ad inventory, and Google would pit advertisers against one another to bid for the spots. Problems emerged, however, because stations were reluctant to give over control. Worse, the Google ads went for less than those sold directly by the stations, and although Google argued that increased demand would eventually drive up the auction prices, stations were unwilling to take the chance. Media buyers, for their



We Won't Punish Failure

Here are one UK-based global retailer's formalized rules for when failure is acceptable.

- The effort involves genuine uncertainty.
- The outcome will be decisive, because we planned carefully.
- It's riskier to do nothing—or to conduct further analysis—than to act and fail.
- The cost is small.
- The major underlying assumptions are documented in writing.
- There is a plan to test the assumptions.
- The risks of failing are understood and, to the extent possible, mitigated.
- The cost is contained.
- Commitments are scaled according to our increasing understanding.
- We've defined what success would look like—and the opportunity is significant.

part, were reluctant to engage with Google, which refused to continue the conventional practices of negotiating prices ahead of time and bundling ads together. After shuttering the business, in 2009, CEO Eric Schmidt attributed its failure to the company's inability to measure an ad's performance on the radio—something it could do on the web by tracking views and clicks. The venture cost the company well over \$100 million. That's not a lot of money in Google's world; the more important point is that relatively little useful learning seems to have occurred. The chasm between Google's core business and the radio business proved just too great.

It's wise to minimize the number of uncertainties that need to be resolved at any particular decision point. One way to do this is through what Chris Zook, of Bain, calls adjacencies. For example, you can introduce an existing product in a new market: IKEA sells essentially the same furniture in many different countries. You can offer your customers a new but related product: Wells Fargo has had a lot of success cross-selling. Or you can build a new business on the foundation of an existing capability: Air Products and Chemicals has done this with its plant management capabilities. The point is to learn from failure (and leverage success) in areas that are fairly close to your established activities. Zook says that the number of major uncertainties should be exactly one. That's a little extreme. I suggest limiting major uncertainties to those that relate either to the market (pricing, acceptance, form factor, and so forth) or to technol-

ogy and capability issues (standards, scalability, availability of talent, and so forth)—not taking on uncertainties in both dimensions at once.

Another way to experiment without going too far afield is to break a long-term project up into smaller pieces. Consider the commercialization of nanotechnology: Eventually we'll be able to construct objects at the level of individual molecules, which will be a truly revolutionary change. But that future is likely to be a long time coming. So for the time being, how are we using nanotechnology? Think wrinkle-free Dockers pants. Think cell phone displays that don't show fingerprints. Those more modest projects make a lot of sense: They apply brand-new technology to familiar products, which fosters learning.

PRINCIPLE 6

Build a culture that celebrates intelligent failure.

People often fear that their career prospects will be in trouble if something goes wrong on their watch. (And, of course, they're often right!) Senior managers need to create a climate that encourages intelligent risk taking and doesn't punish any failures that result. Some companies have found it useful to codify this principle. (See the sidebar "We Won't Punish Failure.")

This is an area where CEOs can show strong leadership. A.G. Lafley made fearlessness in the face of failure a core tenet of his time at Procter & Gamble. He said repeatedly that a very high success rate is a sign of incremental innovation, and that he was looking for breakthroughs instead. In his book

■ During performance reviews one division leader would say, “Show me your scrap heap.” All high achievers try some things that don’t work out.

The Game-Changer, published while he was still CEO, he lists and even celebrates his 11 most expensive product failures, focusing on what the company learned from each. The reasons he gives for the failures range from “required significant consumer habit change” (an at-home dry-cleaning kit) to “small idea” (several new laundry detergents).

That kind of culture building should happen at all levels of the organization. One senior division head I worked with would say to his team members during their performance reviews, “Show me your scrap heap.” The request perfectly conveys the idea that high achievers will, of necessity, try some things that don’t work out.

PRINCIPLE 7

Codify and share what you learn.

An intelligent failure whose lessons are not shared is worth far less than one that teaches something to the group or, ideally, the whole organization. There are many ways to capture and transfer learning. Among the most popular are mini postmortems as a project proceeds, checkpoint reviews as key thresholds are reached, and after-action review meetings at the project’s conclusion. In each case the point is to identify what the assumptions were going in, what happened, what that implies for those assumptions, and what should be done next. It is critical to avoid finger-pointing—restraint that is easier to exercise when the underlying ideas are labeled “assumptions” rather than “projections” or “data.”

I recently facilitated a postmortem for a large organization struggling with an IT implementation that had gone

dreadfully wrong. Before we convened, I interviewed key decision makers and developed a time line showing when critical decisions had been made. We kicked off the meeting with some general observations about why IT systems often go awry; the message was “You are not alone.” Next we discussed the core assumptions that had been in place when the project was authorized, some four years earlier; these came as a surprise to the newer members of the team. We then walked through five decisions that had made a big impact on the project’s evolution, discussing the assumptions that were held at the time, what we would have done differently, and what had been learned. The day ended with two breakout sessions: one to determine what to do about the current situation, and one to crystallize lessons that could be valuable in other projects and help avoid similar problems in the future. To make sure the learning was transferred, we charged specific individuals with documenting and communicating those lessons.

LET’S COME BACK to the point I made at the outset: In an uncertain and volatile world, avoiding failure is not an option. If you accept this premise, the choice before you is simple: Continue to use practices that limit what you can gain from failures—or embrace the concept of intelligent failure, in which learning can create substantial value.

The example set by senior management is crucial. Leaders must be willing to talk about failures and what was learned from them. I’ve seen organizations use symbolic rituals to celebrate a failure that taught important lessons;

this can create an environment in which failures are discussable. Making the ground rules for risk taking explicit, whether in a contract or by other means, can be useful as well. Telling stories about failures past can make people more comfortable talking about failures in progress. And having graceful ways to shut down initiatives and move on makes the inevitable failures much more palatable. Fumbling toward success by learning from failure will differentiate firms that can thrive during uncertainty from those that cannot. ©

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Strategies for Learning from Failure

We are programmed at an early age to think that failure is bad. That belief prevents organizations from effectively learning from their missteps.

→ by AMY C. EDMONDSON

THE WISDOM OF learning from failure is incontrovertible. Yet organizations that do it well are extraordinarily rare. This gap is not due to a lack of commitment to learning. Managers in the vast majority of enterprises that I have studied over the past 20 years—pharmaceutical, financial services, product design, telecommunications, and construction companies; hospitals; and NASA’s space shuttle program, among others—genuinely wanted to help their organizations learn from failures to improve future performance. In some cases they and their teams had devoted many hours to after-action reviews, postmortems, and the like. But time after time I saw that these pains-

taking efforts led to no real change. The reason: Those managers were thinking about failure the wrong way.

Most executives I’ve talked to believe that failure is bad (of course!). They also believe that learning from it is pretty straightforward: Ask people to reflect on what they did wrong and exhort them to avoid similar mistakes in the future—or, better yet, assign a team to review and write a report on what happened and then distribute it throughout the organization.

These widely held beliefs are misguided. First, failure is not always bad. In organizational life it is sometimes bad, sometimes inevitable, and sometimes even good. Second, learning from

organizational failures is anything but straightforward. The attitudes and activities required to effectively detect and analyze failures are in short supply in most companies, and the need for context-specific learning strategies is underappreciated. Organizations need new and better ways to go beyond lessons that are superficial (“Procedures weren’t followed”) or self-serving (“The market just wasn’t ready for our great new product”). That means jettisoning old cultural beliefs and stereotypical notions of success and embracing failure’s lessons. Leaders can begin by understanding how the blame game gets in the way.

The Blame Game

Failure and fault are virtually inseparable in most households, organizations, and cultures. Every child learns at some point that admitting failure means taking the blame. That is why so few organizations have shifted to a culture of psychological safety in which the rewards of learning from failure can be fully realized.

Executives I’ve interviewed in organizations as different as hospitals and investment banks admit to being torn: How can they respond constructively to failures without giving rise to an anything-goes attitude? If people aren’t blamed for failures, what will ensure that they try as hard as possible to do their best work?

This concern is based on a false dichotomy. In actuality, a culture that makes it safe to admit and report on failure can—and in some organizational contexts *must*—coexist with high standards for performance. To understand



HOW COMPANIES LEARN FROM MISTAKES

STRATEGIES FOR LEARNING FROM FAILURE

why, look at the exhibit “A Spectrum of Reasons for Failure,” which lists causes ranging from deliberate deviation to thoughtful experimentation.

Which of these causes involve blame-worthy actions? Deliberate deviance, first on the list, obviously warrants blame. But inattention might not. If it results from a lack of effort, perhaps it’s blameworthy. But if it results from fatigue near the end of an overly long shift, the manager who assigned the shift is more at fault than the employee. As we go down the list, it gets more and more difficult to find blame-worthy acts. In fact, a failure resulting from thoughtful experimentation that generates valuable information may actually be praiseworthy.

When I ask executives to consider this spectrum and then to estimate how many of the failures in their organizations are truly blameworthy, their answers are usually in single digits—perhaps 2% to 5%. But when I ask how many are *treated* as blameworthy, they say (after a pause or a laugh) 70% to 90%. The unfortunate consequence is that many failures go unreported and their lessons are lost.

Not All Failures Are Created Equal

A sophisticated understanding of failure’s causes and contexts will help to avoid the blame game and institute an effective strategy for learning from failure. Although an infinite number of things can go wrong in organizations, mistakes fall into three broad categories: preventable, complexity-related, and intelligent.

Preventable failures in predictable operations. Most failures in this category can indeed be considered “bad.” They usually involve deviations from spec in the closely defined processes of high-volume or routine operations in manufacturing and services. With proper training and support, employees can follow those processes consistently. When they don’t, deviance, inattention, or lack of ability is usually the reason. But in such cases, the causes can be readily identified and solutions developed. Checklists (as in the Harvard surgeon Atul Gawande’s recent best seller *The Checklist Manifesto*) are one solution. Another is the vaunted Toyota Production System, which builds continual learning from tiny failures (small process deviations) into its approach to improvement. As most students of operations know well, a team member on a Toyota assembly line who spots a problem or even a potential problem is encouraged to pull a rope called the andon cord, which immediately initiates a diagnostic and problem-solving process. Production continues unimpeded if the problem can be remedied in less than a minute. Otherwise, production is halted—despite the loss of revenue entailed—until the failure is understood and resolved.

Unavoidable failures in complex systems. A large number of organizational failures are due to the inherent uncertainty of work: A particular combination of needs, people, and problems may have never occurred before. Triaging patients in a hospital emergency room, responding to enemy actions on the battlefield, and running a fast-growing start-up all occur in unpredictable

situations. And in complex organizations like aircraft carriers and nuclear power plants, system failure is a perpetual risk.

Although serious failures can be averted by following best practices for safety and risk management, including a thorough analysis of any such events that do occur, small process failures are inevitable. To consider them bad is not just a misunderstanding of how complex systems work; it is counterproductive. Avoiding consequential failures means rapidly identifying and correcting small failures. Most accidents in hospitals result from a series of small failures that went unnoticed and unfortunately lined up in just the wrong way.

Intelligent failures at the frontier. Failures in this category can rightly be considered “good,” because they provide valuable new knowledge that can help an organization leap ahead of the competition and ensure its future growth—which is why the Duke University professor of management Sim Sitkin calls them intelligent failures. They occur when experimentation is necessary: when answers are not knowable in advance because this exact situation hasn’t been encountered before and perhaps never will be again. Discovering new drugs, creating a radically new business, designing an innovative product, and testing customer reactions in a brand-new market are tasks that require intelligent failures. “Trial and error” is a common term for the kind of experimentation needed in these settings, but it is a misnomer, because “error” implies that there was a “right” outcome in the first place. At the frontier, the right kind of experimentation produces good failures quickly. Managers who practice

■ The slogan “Fail often in order to succeed sooner” would hardly promote success in a manufacturing plant.

it can avoid the *unintelligent* failure of conducting experiments at a larger scale than necessary.

Leaders of the product design firm IDEO understood this when they launched a new innovation-strategy service. Rather than help clients design new products within their existing lines—a process IDEO had all but perfected—the service would help them create new lines that would take them in novel strategic directions. Knowing that it hadn’t yet figured out how to deliver the service effectively, the company started a small project with a mattress company and didn’t publicly announce the launch of a new business.

Although the project failed—the client did not change its product strategy—IDEO learned from it and figured out what had to be done differently. For instance, it hired team members with MBAs who could better help clients create new businesses and made some of the clients’ managers part of the team. Today strategic innovation services account for more than a third of IDEO’s revenues.

Tolerating unavoidable process failures in complex systems and intelligent failures at the frontiers of knowledge won’t promote mediocrity. Indeed, tolerance is essential for any organization that wishes to extract the knowledge such failures provide. But failure is still inherently emotionally charged; getting an organization to accept it takes leadership.

Building a Learning Culture

Only leaders can create and reinforce a culture that counteracts the blame

game and makes people feel both comfortable with and responsible for surfacing and learning from failures. (See the sidebar “How Leaders Can Build a Psychologically Safe Environment.”) They should insist that their organizations develop a clear understanding of what happened—not of “who did it”—when things go wrong. This requires consistently reporting failures, small and large; systematically analyzing them; and proactively searching for opportunities to experiment.

Leaders should also send the right message about the nature of the work, such as reminding people in R&D, “We’re in the discovery business, and the faster we fail, the faster we’ll succeed.” I have found that managers often don’t understand or appreciate this subtle but crucial point. They also may approach failure in a way that is inappropriate for the context. For example, statistical process control, which uses data analysis to assess unwarranted variances, is not good for catching and correcting random invisible glitches such as software bugs. Nor does it help in the development of creative new products. Conversely, though great scientists intuitively adhere to IDEO’s slogan, “Fail often in order to succeed sooner,” it would hardly promote success in a manufacturing plant.

Often one context or one kind of work dominates the culture of an enterprise and shapes how it treats failure. For instance, automotive companies, with their predictable, high-volume operations, understandably tend to view failure as something that can and should be prevented. But most organizations engage in all three kinds of work



Idea in Brief

The ingrained attitude that all failures are bad means organizations don’t learn from them.

Leaders need to recognize that failures occur on a spectrum from blameworthy to praiseworthy, and that they fall into three categories:

- Failures in routine or predictable operations, which can be prevented
- Those in complex operations, which can’t be avoided but can be managed so that they don’t mushroom into catastrophes
- Unwanted outcomes in, for example, research settings, which are valuable because they generate knowledge

Although learning from failures requires different strategies in different work settings, the goal should be to detect them early, analyze them deeply, and design experiments or pilot projects to produce them. But if the organization is ultimately to succeed, employees must feel safe admitting to and reporting failures. Creating that environment takes strong leadership.

A Spectrum of Reasons for Failure

Deviance

An individual chooses to violate a prescribed process or practice.

Inattention

An individual inadvertently deviates from specifications.

Lack of ability

An individual doesn't have the skills, conditions, or training to execute a job.

Process inadequacy

A competent individual adheres to a prescribed but faulty or incomplete process.

Task challenge

An individual faces a task too difficult to be executed reliably every time.

BLAMEWORTHY

discussed above—routine, complex, and frontier. Leaders must ensure that the right approach to learning from failure is applied in each. All organizations learn from failure through three essential activities: detection, analysis, and experimentation.

Detecting Failure

Spotting big, painful, expensive failures is easy. But in many organizations any failure that can be hidden *is* hidden as long as it's unlikely to cause immediate or obvious harm. The goal should be to surface it early, before it has mushroomed into disaster.

Shortly after arriving from Boeing to take the reins at Ford, in September 2006, Alan Mulally instituted a new system for detecting failures. He asked managers to color code their reports green for good, yellow for caution, or red for problems—a common management technique. According to a 2009 story in *Fortune*, at his first few meetings all the managers coded their operations green, to Mulally's frustration. Reminding them that the company had lost several billion dollars the previous year, he asked straight out, "Isn't anything *not* going well?" After one tentative yellow report was made about a serious product defect that would probably delay a launch, Mulally responded to the deathly silence that ensued with applause. After that, the weekly staff meetings were full of color.

That story illustrates a pervasive and fundamental problem: Although many methods of surfacing current and pending failures exist, they are grossly underutilized. Total Quality Management

and soliciting feedback from customers are well-known techniques for bringing to light failures in routine operations. High-reliability-organization (HRO) practices help prevent catastrophic failures in complex systems like nuclear power plants through early detection. Electricité de France, which operates 58 nuclear power plants, has been an exemplar in this area: It goes beyond regulatory requirements and religiously tracks each plant for anything even slightly out of the ordinary, immediately investigates whatever turns up, and informs all its other plants of any anomalies.

Such methods are not more widely employed because all too many messengers—even the most senior executives—remain reluctant to convey bad news to bosses and colleagues. One senior executive I know in a large consumer products company had grave reservations about a takeover that was already in the works when he joined the management team. But, overly conscious of his newcomer status, he was silent during discussions in which all the other executives seemed enthusiastic about the plan. Many months later, when the takeover had clearly failed, the team gathered to review what had happened. Aided by a consultant, each executive considered what he or she might have done to contribute to the failure. The newcomer, openly apologetic about his past silence, explained that others' enthusiasm had made him unwilling to be "the skunk at the picnic."

In researching errors and other failures in hospitals, I discovered substantial differences across patient-care units in nurses' willingness to speak up about them. It turned out that the behavior of

midlevel managers—how they responded to failures and whether they encouraged open discussion of them, welcomed questions, and displayed humility and curiosity—was the cause. I have seen the same pattern in a wide range of organizations.

A horrific case in point, which I studied for more than two years, is the 2003 explosion of the *Columbia* space shuttle, which killed seven astronauts (see "Facing Ambiguous Threats," by Michael A. Roberto, Richard M.J. Bohmer, and Amy C. Edmondson, HBR November 2006). NASA managers spent some two weeks downplaying the seriousness of a piece of foam's having broken off the left side of the shuttle at launch. They rejected engineers' requests to resolve the ambiguity (which could have been done by having a satellite photograph the shuttle or asking the astronauts to conduct a space walk to inspect the area in question), and the major failure went largely undetected until its fatal consequences 16 days later. Ironically, a shared but unsubstantiated belief among program managers that there was little they could do contributed to their inability to detect the failure. Postevent analyses suggested that they might indeed have taken fruitful action. But clearly leaders hadn't established the necessary culture, systems, and procedures.

One challenge is teaching people in an organization when to declare defeat in an experimental course of action. The human tendency to hope for the best and try to avoid failure at all costs gets in the way, and organizational hierarchies exacerbate it. As a result, failing R&D projects are often kept going much longer than is scientifically rational or

Process complexity

A process composed of many elements breaks down when it encounters novel interactions.

Uncertainty

A lack of clarity about future events causes people to take seemingly reasonable actions that produce undesired results.

Hypothesis testing

An experiment conducted to prove that an idea or a design will succeed fails.

Exploratory testing

An experiment conducted to expand knowledge and investigate a possibility leads to an undesired result.

PRAISEWORTHY

economically prudent. We throw good money after bad, praying that we'll pull a rabbit out of a hat. Intuition may tell engineers or scientists that a project has fatal flaws, but the formal decision to call it a failure may be delayed for months.

Again, the remedy—which does not necessarily involve much time and expense—is to reduce the stigma of failure. Eli Lilly has done this since the early 1990s by holding “failure parties” to honor intelligent, high-quality scientific experiments that fail to achieve the desired results. The parties don't cost much, and redeploying valuable resources—particularly scientists—to new projects earlier rather than later can save hundreds of thousands of dollars, not to mention kickstart potential new discoveries.

Analyzing Failure

Once a failure has been detected, it's essential to go beyond the obvious and superficial reasons for it to understand the root causes. This requires the discipline—better yet, the enthusiasm—to use sophisticated analysis to ensure that the right lessons are learned and the right remedies are employed. The job of leaders is to see that their organizations don't just move on after a failure but stop to dig in and discover the wisdom contained in it.

Why is failure analysis often short-changed? Because examining our failures in depth is emotionally unpleasant and can chip away at our self-esteem. Left to our own devices, most of us will speed through or avoid failure analysis altogether. Another reason is that analyzing organizational

failures requires inquiry and openness, patience, and a tolerance for causal ambiguity. Yet managers typically admire and are rewarded for decisiveness, efficiency, and action—not thoughtful reflection. That is why the right culture is so important.

The challenge is more than emotional; it's cognitive, too. Even without meaning to, we all favor evidence that supports our existing beliefs rather than alternative explanations. We also tend to downplay our responsibility and place undue blame on external or situational factors when we fail, only to do the reverse when assessing the failures of others—a psychological trap known as *fundamental attribution error*.

My research has shown that failure analysis is often limited and ineffective—even in complex organizations like hospitals, where human lives are at stake. Few hospitals systematically analyze medical errors or process flaws in order to capture failure's lessons. Recent research in North Carolina hospitals, published in November 2010 in the *New England Journal of Medicine*, found that despite a dozen years of heightened awareness that medical errors result in thousands of deaths each year, hospitals have not become safer.

Fortunately, there are shining exceptions to this pattern, which continue to provide hope that organizational learning is possible. At Intermountain Healthcare, a system of 23 hospitals that serves Utah and southeastern Idaho, physicians' deviations from medical protocols are routinely analyzed for opportunities to improve the protocols. Allowing deviations and sharing the data on whether they actually produce

a better outcome encourages physicians to buy into this program. (See “Fixing Health Care on the Front Lines,” by Richard M.J. Bohmer, HBR April 2010.)

Motivating people to go beyond first-order reasons (procedures weren't followed) to understanding the second- and third-order reasons can be a major challenge. One way to do this is to use interdisciplinary teams with diverse skills and perspectives. Complex failures in particular are the result of multiple events that occurred in different departments or disciplines or at different levels of the organization. Understanding what happened and how to prevent it from happening again requires detailed, team-based discussion and analysis.

A team of leading physicists, engineers, aviation experts, naval leaders, and even astronauts devoted months to an analysis of the *Columbia* disaster. They conclusively established not only the first-order cause—a piece of foam had hit the shuttle's leading edge during launch—but also second-order causes: A rigid hierarchy and schedule-obsessed culture at NASA made it especially difficult for engineers to speak up about anything but the most rock-solid concerns.

Promoting Experimentation

The third critical activity for effective learning is strategically producing failures—in the right places, at the right times—through systematic experimentation. Researchers in basic science know that although the experiments they conduct will occasionally result in a spectacular success, a large percentage of them (70% or higher in some fields) will fail. How do these people get

How Leaders Can Build a Psychologically Safe Environment

If an organization's employees are to help spot existing and pending failures and to learn from them, their leaders must make it safe to speak up. Julie Morath, the chief operating officer of Children's Hospital and Clinics of Minnesota from 1999 to 2009, did just that when she led a highly successful effort to reduce medical errors. Here are five practices I've identified in my research, with examples of how Morath employed them to build a psychologically safe environment.

Frame the Work Accurately

People need a shared understanding of the kinds of failures that can be expected to occur in a given work context (routine production, complex operations, or innovation) and why openness and collaboration are important for surfacing and learning from them. Accurate framing detoxifies failure.

In a complex operation like a hospital, many consequential failures are the result of a series of small events. To heighten awareness of this system complexity, Morath presented data on U.S. medical error rates, organized discussion groups, and built a team of key influencers from throughout the organization to help spread knowledge and understanding of the challenge.

Embrace Messengers

Those who come forward with bad news, questions, concerns, or mistakes should be rewarded rather than shot. Celebrate the value of the news first and then figure out how to fix the failure and learn from it.

Morath implemented "blameless reporting"—an approach that encouraged employees to reveal medical errors and near misses anonymously. Her team created a new patient safety report,

which expanded on the previous version by asking employees to describe incidents in their own words and to comment on the possible causes. Soon after the new system was implemented, the rate of reported failures shot up. Morath encouraged her people to view the data as good news, because the hospital could learn from failures—and made sure that teams were assigned to analyze every incident.

Acknowledge Limits

Being open about what you don't know, mistakes you've made, and what you can't get done alone will encourage others to do the same.

As soon as she joined the hospital, Morath explained her passion for patient safety and acknowledged that as a newcomer, she had only limited knowledge of how things worked at Children's. In group presentations and one-on-one discussions, she made clear that she would

need everyone's help to reduce errors.

Invite Participation

Ask for observations and ideas and create opportunities for people to detect and analyze failures and promote intelligent experiments. Inviting participation helps defuse resistance and defensiveness.

Morath set up cross-disciplinary teams

to analyze failures and personally asked thoughtful questions of employees at all levels. Early on, she invited people to reflect on their recent experiences in caring for patients: Was everything as safe as they would have wanted it to be? This helped them recognize that the hospital had room for improvement. Suddenly, people were lining up to help.

Set Boundaries and Hold People Accountable

Paradoxically, people feel psychologically

safer when leaders are clear about what acts are blameworthy. And there must be consequences. But if someone is punished or fired, tell those directly and indirectly affected what happened and why it warranted blame.

When she instituted blameless reporting,

Morath explained to employees that although reporting would not be punished, specific behaviors (such as reckless conduct, conscious violation of standards, failing to ask for help when over one's head) would. If someone makes the same mistake three times and is then laid off, coworkers usually express relief, along with sadness and concern—they understand that patients were at risk and that extra vigilance was required from others to counterbalance the person's shortcomings.

out of bed in the morning? First, they know that failure is not optional in their work; it's part of being at the leading edge of scientific discovery. Second, far more than most of us, they understand that every failure conveys valuable information, and they're eager to get it before the competition does.

In contrast, managers in charge of piloting a new product or service—a classic example of experimentation in business—typically do whatever they can to make sure that the pilot is perfect right out of the starting gate. Ironically, this hunger to succeed can later inhibit the success of the official launch. Too

often, managers in charge of pilots design optimal conditions rather than representative ones. Thus the pilot doesn't produce knowledge about what *won't* work.

In the very early days of DSL, a major telecommunications company I'll call Telco did a full-scale launch of that



high-speed technology to consumer households in a major urban market. It was an unmitigated customer-service disaster. The company missed 75% of its commitments and found itself confronted with a staggering 12,000 late orders. Customers were frustrated and upset, and service reps couldn't even begin to answer all their calls. Employee morale suffered. How could this happen to a leading company with high satisfaction ratings and a brand that had long stood for excellence?

A small and extremely successful suburban pilot had lulled Telco executives into a misguided confidence. The problem was that the pilot did not resemble real service conditions: It was staffed with unusually personable, expert service reps and took place in a community of educated, tech-savvy customers. But DSL was a brand-new technology and, unlike traditional telephony, had to interface with customers' highly variable home computers and technical skills. This added complexity and unpredictability to the service-delivery challenge in ways that Telco had not fully appreciated before the launch.

A more useful pilot at Telco would have tested the technology with limited support, unsophisticated customers, and old computers. It would have been designed to discover everything that could go wrong—instead of proving that under the best of conditions everything would go right. (See the sidebar “Designing Successful Failures.”) Of course, the managers in charge would have to have understood that they were going to be rewarded not for success but, rather, for producing intelligent failures as quickly as possible.

In short, exceptional organizations are those that go beyond detecting and analyzing failures and try to generate intelligent ones for the express purpose of learning and innovating. It's not that managers in these organizations enjoy failure. But they recognize it as a necessary by-product of experimentation. They also realize that they don't have to do dramatic experiments with large budgets. Often a small pilot, a dry run of a new technique, or a simulation will suffice.

THE COURAGE TO confront our own and others' imperfections is crucial to solving the apparent contradiction of wanting neither to discourage the reporting of problems nor to create an environment in which anything goes. This means that managers must ask employees to be brave and speak up—and must not respond by expressing anger or strong disapproval of what may at first appear to be incompetence. More often than we realize, complex systems are at work behind organizational failures, and their lessons and improvement opportunities are lost when conversation is stifled.

Savvy managers understand the risks of unbridled toughness. They know that their ability to find out about and help resolve problems depends on their ability to learn about them. But most managers I've encountered in my research, teaching, and consulting work are far more sensitive to a different risk—that an understanding response to failures will simply create a lax work environment in which mistakes multiply.

This common worry should be replaced by a new paradigm—one that

Designing Successful Failures

Perhaps unsurprisingly, pilot projects are usually designed to succeed rather than to produce intelligent failures—those that generate valuable information. To know if you've designed a genuinely useful pilot, consider whether your managers can answer yes to the following questions:

- Is the pilot being tested under typical circumstances (rather than optimal conditions)?
- Do the employees, customers, and resources represent the firm's real operating environment?
- Is the goal of the pilot to learn as much as possible (rather than to demonstrate the value of the proposed offering)?
- Is the goal of learning well understood by all employees and managers?
- Is it clear that compensation and performance reviews are not based on a successful outcome for the pilot?
- Were explicit changes made as a result of the pilot test?

recognizes the inevitability of failure in today's complex work organizations. Those that catch, correct, and learn from failure before others do will succeed. Those that wallow in the blame game will not. ☹

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HOW COMPANIES LEARN FROM MISTAKES

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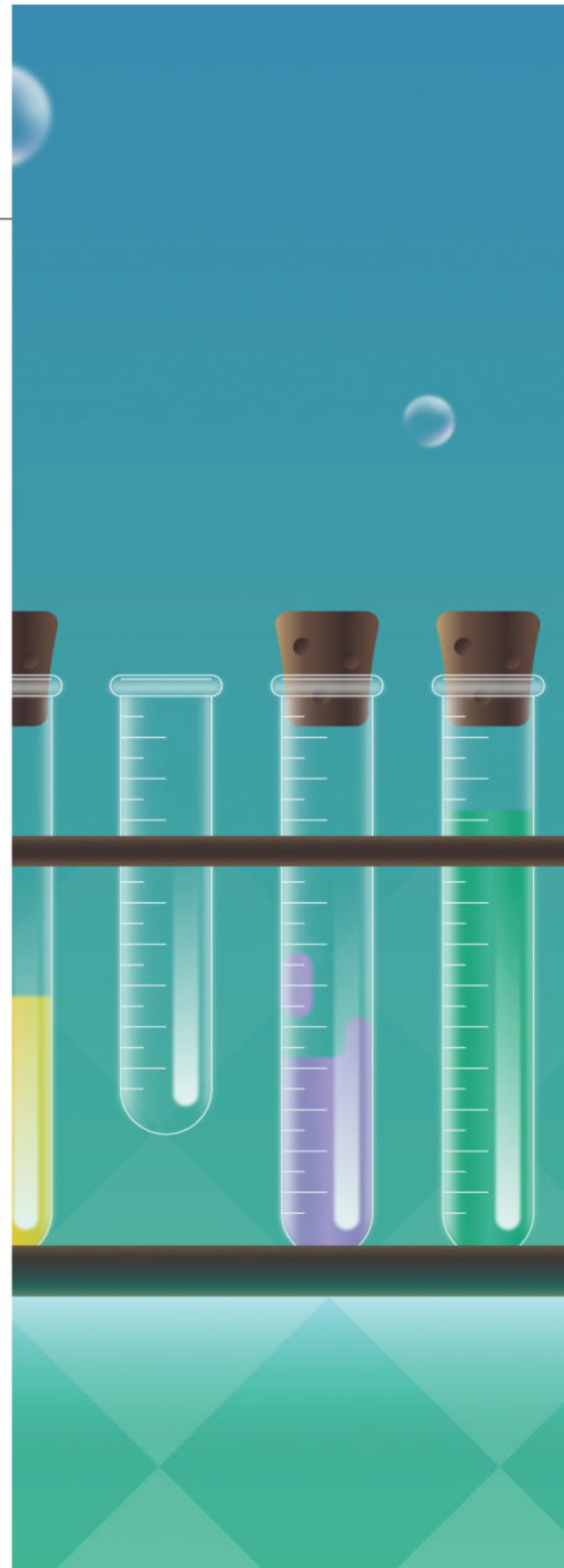
The Failure-Tolerant Leader

Executives know that failure is an integral part of innovation. But how do they encourage the right kinds of mistakes?

→ by RICHARD FARSON and RALPH KEYES

THE FASTEST WAY to succeed,” IBM’s Thomas Watson, Sr., once said, “is to double your failure rate.” In recent years, more and more executives have embraced this point of view, coming to understand what innovators have always known: that failure is a prerequisite to invention. A business can’t develop a breakthrough product or process if it’s not willing to encourage risk taking and learn from subsequent mistakes.

The growing acceptance of failure is changing the way companies approach innovation. Some build exit strategies into their projects to ensure that doomed efforts don’t drag on indefinitely. Others, like the credit card company Capital One, continually conduct large numbers of market experiments knowing that while most of their tests won’t pay off, even the failures will provide valuable insights into customer preferences. Still others launch two







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or more projects with the same goal, sending teams in different directions simultaneously. This approach—called “simultaneous management” by civil engineering professor Alexander Laufer—creates the potential for a healthy cross-fertilization of new ideas and techniques.

While companies are beginning to accept the value of failure in the abstract—at the level of corporate policies, processes, and practices—it’s an entirely different matter at the personal level. Everyone hates to fail. We assume, rationally or not, that we’ll suffer embarrassment and a loss of esteem and stature. And nowhere is the fear of failure more intense and debilitating than in the competitive world of business, where a mistake can mean losing a bonus, a promotion, or even a job.

During his years leading Monsanto, Robert Shapiro was struck by how terrified his employees were of failing. They had been trained to see an unsuccessful product or project as a personal rebuke. Shapiro tried hard to change that perception, knowing that it hindered the kind of creative thinking that fueled his business. He explained to his employees that every product and project was an experiment and that its backers failed only if their experiment was a halfhearted, careless effort with poor results. But a deliberate, well-thought-out effort that didn’t succeed was not only excusable but desirable.

Such an approach to mistake making is characteristic of people we call “failure-tolerant leaders”—executives who, through their words and actions, help people overcome their fear of failure and, in the process, create a

culture of intelligent risk taking that leads to sustained innovation. These leaders don’t just accept failure; they encourage it. We’ve studied a number of failure-tolerant leaders—in business, politics, sports, and science—and found some common threads in what they do. They try to break down the social and bureaucratic barriers that separate them from their followers. They engage at a personal level with the people they lead. They avoid giving either praise or criticism, preferring to take a non-judgmental, analytical posture as they interact with staff. They openly admit their own mistakes rather than covering them up or shifting the blame. And they try to root out the destructive competitiveness built into most organizations.

First and foremost, though, failure-tolerant leaders push people to see beyond simplistic, traditional definitions of failure. They know that as long as someone views failure as the opposite of success rather than its complement, that person will never be able to take the risks necessary for innovation.

Move Beyond Success and Failure

Of course, there are failures and there are *failures*. Some mistakes are lethal—producing and marketing a dysfunctional car tire, for example. At no time can management be casual about issues of health and safety. But encouraging failure doesn’t mean abandoning supervision, quality control, or respect for sound practices. Just the opposite. Managing for failure requires executives to be more engaged, not less. Although mistakes are inevitable when launching

innovation initiatives, management cannot abdicate its responsibility to assess the nature of the failures. Some are excusable errors; others are simply the result of sloppiness. Those willing to take a close look at what happened and why can usually tell the difference. Failure-tolerant leaders identify excusable mistakes and approach them as outcomes to be examined, understood, and built upon. They often ask simple but illuminating questions when a project falls short of its goals:

- Was the project designed conscientiously, or was it carelessly organized?
- Could the failure have been prevented with more thorough research or consultation?
- Was the project a collaborative process, or did those involved resist useful input from colleagues or fail to inform interested parties of their progress?
- Did the project remain true to its goals, or did it appear to be driven solely by personal interests?
- Were projections of risks, costs, and timing honest or deceptive?
- Were the same mistakes made repeatedly?

Distinguishing between excusable and inexcusable failure offers two broad benefits. First, it gives managers a tool to build a nonpunitive environment for mistake making while allowing them to encourage thoughtfully pursued projects that, should they fail, will yield productive mistakes. Second, it allows managers to nonjudgmentally promote the sort of productive mistake making that is the basis for learning. By revealing what doesn’t work—in the lab or in the marketplace—a failure flowing from a carefully designed and

■ ■ New ideas are most likely to emerge in the workplace when managers treat steps in the innovation process—those that work and those that don't—with less evaluation and more interpretation.

executed project provides insight into what will work.

Success can be approached in much the same way. Like mistakes, all successes are not created equal. A success due to a fortunate accident is not the organizational equivalent of one resulting from a thoughtfully pursued project. Thus, successes might be approached with questions similar to those posed about failures. How much was due to good fortune, how much to the hard work of its creators? Were all contributors acknowledged? Did the success move us closer to our goals? Will it actually serve customers' needs or simply merit an award from peers? By taking this perspective and raising such questions, managers can begin to treat success and failure similarly, more like the siblings they actually are.

Some managers may find that idea difficult to embrace. Treat success and failure the same? Shouldn't I reward success? And even if I don't reprimand an employee who fails, shouldn't I at least call attention to the mistake? Well, no. We suggest a different approach.

Get Engaged

The best coaches take victory and defeat in stride. "I didn't get consumed by losses," said the legendary NFL coach Don Shula, "and I didn't get overwhelmed by successes." Failure-tolerant leaders in all fields do the same. Rather than pursue success, they focus on increasing their organizations' intellectual capital: the experience, knowledge, and creativity of the workforce. How? Through engagement. These managers take a tangible interest in their employ-

ees' projects. Instead of simply evaluating an employee's efforts, they try to understand the work, interpret it, and discover its meaning to the individual. Often, they are in a position to see the work in a larger context, making them the ideal people to discuss a project's history, goals, and larger significance to the organization.

That process is more collaborative than supervisory. Failure-tolerant managers show interest, express support, and ask pertinent questions: What's new with your project? What kinds of problems are you having? Taking the long view, what might the next steps be? Conversations are less about whether the project is succeeding or failing than about what can be learned from the experience. When a manager and employee are deeply engaged in that discussion, both of them enter the same kind of high-performance zone that athletes do when they're operating at their very best. In this zone, evaluation is less relevant than the subject of where to go from here.

Enlightened managers strive to be collaborative rather than controlling. Only through engaged conversations over time can managers create failure-tolerant work environments that invite innovation. This is not to say that a major achievement shouldn't be applauded, or that repeated, avoidable mistakes should be tolerated. But astute managers mark the daily progress of small successes and failures with an evenhanded, open curiosity about the lessons learned and the next steps to take.

Listening is more central to this process than talking. Research on workplace creativity shows that it's not



Idea in Brief

Most people are afraid to fail, and corporate culture reinforces that fear. But as many executives are finding, failure is a prerequisite to success.

Failure-tolerant leaders send clear messages to their organizations that constructive mistakes are not only acceptable but worthwhile.

They *move beyond success and failure*: A carefully designed and executed project—no matter the outcome—provides insight into what will work. *They get engaged*, helping employees see their work in a larger context. Instead of using praise and punishment as tools, *they analyze* experiments by asking illuminating, nonjudgmental questions. They *earn empathy* by admitting their own mistakes; that reinforces the company's mistake-tolerant atmosphere. They develop a *collaborative* culture, one that encourages people to share their ideas and *gives the green light* to breakthrough products and processes.

■ ■ Failure-tolerant leaders demonstrate unequivocally that stumbles on the innovation path are forgiven.

the individual employee's freedom as much as managerial involvement that produces creative acts. No incentive can match the obvious appreciation shown by a manager's interest and enthusiasm. Path-breaking leaders such as Thomas Edison, General Motors' Charles Kettering, the Watsons at IBM, and 3M's William McKnight were famous for schmoozing with employees—not second-guessing or criticizing, but engaging in animated discussions about projects. Nothing does more for productivity, morale, and employee retention. "Edison made work interesting," said a machinist and draftsman who spent a half-century working for the inventor. "He made me feel that I was making something with him. I wasn't just a workman."

Don't Praise, Analyze

New ideas are most likely to emerge in the workplace when managers treat steps in the innovation process—those that work and those that don't—with less evaluation and more interpretation. They don't praise or penalize; they analyze.

Less praise? Haven't managers been told not to skimp on compliments? They have indeed. But psychologists who have studied the effects of praise question its value. As with criticism, compliments can actually demotivate people. Recipients may feel manipulated or think too much is expected of them. Research has found that children playing games lose interest once they're rewarded or complimented for their play. In one study, students praised less by their science teachers did a better job of conducting

experiments on their own than the ones who were praised more. That is why, in place of perfunctory praise, many educators are shifting to a teaching style in which they ask questions, give feedback, and show interest, but are spare with compliments. "That's great!" gives way to "I see you've decided to use liquid nitrogen in this experiment." Such a specific response shows real interest in a student's work and is appreciated more than repeated praise. In the workplace, praise can become what is called a "dissatisfier." Like a salary, it is less likely to motivate when it's given out than demotivate when it's expected but withheld. So a manager cannot suddenly stop praising an employee who has come to expect it. But when an engaged manager takes a genuine interest in an employee's work, the need for compliments declines.

Genuine engagement, though, can require far more time than the 11 minutes per task that managers spend, on average. Because involvement takes more time than keeping your distance, occasions for doing so must be chosen carefully. Engaging with employees is demanding and risky; it can threaten a manager's authority. The more involved you get with employees, the harder it becomes to reprimand them when necessary. Although not the same as personal friendships, engaged professional relationships resemble them in ways that can hinder the supervisory process. The challenge is to learn how to get closely involved with an employee's work without presuming to be pals.

Managers may be wary of this type of engagement because it can be unpredictable, raising questions they

can't answer or might rather avoid. But that's a price worth paying. The open-ended, less formal nature of an engaged relationship can lead to the unexplored terrain where innovation lies.

Earn Empathy

While the notion of encouraging mistakes may seem alien—or at least a little unnerving—to many managers, it has some celebrated champions. When Jack Welch was head of GE, he said, "We reward failure," explaining that to do otherwise would only squelch daring. GM's Kettering, regarded as second only to Thomas Edison as America's leading inventor mogul, liked to say that a good research man failed every time but the last one. "He treats his failures as practice shots," Kettering noted, adding that he himself had been wrong 99.9% of the time. What every educated person needed to learn, he felt, was "that it's not a disgrace to fail, and that you must analyze each failure to find its cause....You must learn how to fail intelligently. Failing is one of the greatest arts in the world. One fails forward toward success."

Welch and Kettering knew that creating a risk-friendly environment requires demonstrating unequivocally—in deeds more than words—that stumbles on the innovation path are forgiven. How better for managers to achieve this end than by publicizing their own missteps? The late Roberto Goizueta got years of one-liners from the New Coke fiasco that occurred during his tenure. Admitting his mistake conveyed to his employees better than a hundred speeches or a thousand memos that "learning



failures,” even on a grand scale, were tolerated.

A former Lockheed executive recalled the time CEO Dan Haughton gathered his company’s manufacturing heads to discuss his own errors. One notable mistake, Haughton recounted, was when Howard Hughes once called to tell him that Douglas Aircraft was in trouble and that he should get right over there and buy it “before Jimmy McDonnell [did].” Haughton told his managers that not taking Hughes’s advice was the biggest blunder he had made in business. Had he bought Douglas Aircraft, Haughton could have consolidated his company’s operations in Southern California and avoided costly future moves.

The former Lockheed executive said that he and his colleagues left the meeting with increased respect for Haughton and renewed motivation to take their own risks. Haughton had told them in the most eloquent way possible that losing a gamble wasn’t the worst thing that could happen to them. The message they took away: “If Dan Haughton can make mistakes, I guess I can, too.”

Similarly, managers at 3M routinely reinforce the company’s mistake-tolerant atmosphere by freely admitting their own goofs. Former CEO L.D. DeSimone never hesitated to recount how he repeatedly tried to stop the development of Thinsulate. Luckily, DeSimone failed, and Thinsulate became one of the company’s most successful products. By being so candid about his near blunder, DeSimone powerfully conveyed that it’s okay to be wrong and to admit it when you are.

Far from revealing weakness, admitting mistakes shows a leader’s self-confidence. It helps forge closer ties with employees and colleagues. A blunder admitted is empathy earned. Leaders who don’t cover up their errors reveal themselves as human—they become people whom others can admire and identify with.

Think of Ulysses S. Grant, whose success as a military officer grew directly out of his earlier problems in civilian life. Grant’s well-known battles with alcoholism made him more sympathetic to others’ weaknesses; his struggle to control his addiction helped him understand and deal with lapses of discipline among subordinates. Grant had also failed repeatedly in business, suffering humiliating experiences that made him more humble than other officers. His failures also made him more daring. Grant took more chances during combat than other generals did. Many like General George McClellan, who had led brilliantly successful lives before the war, lost battle after battle during their military careers.

The greatness of many U.S. presidents was also built on a foundation of unremarkable performance early on. Before Valley Forge, Washington failed repeatedly as a military officer and did a so-so job of running his plantation. Lincoln suffered multiple setbacks in business and politics. Franklin Roosevelt—a mama’s boy and a mediocre student—was generally considered a political lightweight before he moved into the White House. It’s taken for granted by historians that if he hadn’t been paralyzed as a young man, Roosevelt would never have developed

the grit, depth, and empathy he needed to become one of our best presidents. FDR’s successor, Harry Truman—today ranked among our top half-dozen chief executives—didn’t go to college, was a mediocre farmer, and failed as a haberdasher. “Most of our better presidents,” observed Ronald Reagan’s campaign manager John Sears, “learned to empathize through suffering personal tragedy or failure....There is something about losing and coming back from it that burns character into a man’s soul, breeds confidence without arrogance, and makes a man believable when he talks about problems.”

Employees do better when they know they’re being supervised by human beings, not detached directors. This doesn’t mean they spurn self-confident leaders. We all want to believe that our leaders are competent and have exceptional qualities. But we sometimes want a bit of the opposite as well. An inscrutable mask makes it harder to lead. Both vulnerability and transparency are important for leaders and organizations alike.

Collaborate to Innovate

Creating a culture in which people feel comfortable with failure also requires abandoning traditional ideas about personal competition. The idea that achievement is maximized when we go at one another tooth and nail is engraved on our national psyche. But when the road to success requires making others fail, innovation gets left by the wayside. Competition infects coworkers with a desire to win rather than to solve problems and move



HOW COMPANIES LEARN FROM MISTAKES THE FAILURE-TOLERANT LEADER

projects forward. In the process, employees inhibit the free flow of information so vital to innovation. Those who feel their work is being judged on conventional concepts of success and failure, and who feel they're competing with coworkers for the brass ring, will want to protect information rather than share it. This is a textbook way to squelch innovation. Companies become the losers. If 3M's Spencer Silver had concealed information about the imperfect adhesive he invented with another colleague, Post-it notes might never have been developed.

Prizes for performance are especially effective at undermining teamwork because they place competition above collaboration. A food services company we'll call Comestibles once had a contest that awarded regional offices that posted the best sales records. Those who won got free vacations. This competition produced a few happy winners and lots of disgruntled losers. Winning became such a fetish that Comestibles' employees began hoarding information they might otherwise have shared with one another. Some even fudged their figures to gain an edge. Rather than encourage employees to collaborate and share information, Comestibles' motivational program created an atmosphere of competition that stifled creativity, openness, and honesty.

Meanwhile, some future-minded companies like Royal Dutch/Shell and Monsanto have developed work groups that emphasize collaboration. The main objective of these groups is to exchange information, not hide it, as so often happens in the heat of competition. 3M has encouraged idea sharing for de-

CADES, from the coffee-and-donut skull sessions years ago (like the one where Spencer Silver discussed his not-sticky-enough glue) to today's more formal Tech Forums and in-house trade shows.

Failure-tolerant leaders encourage collaboration, understanding that it is the real road to innovation. They see it as the best means for tapping into the imaginations of employees who are not especially competitive but who might have invaluable, innovative ideas. Because such people don't feel the need to win every exchange of ideas, they don't do well in gatherings of colleagues playing verbal king-of-the-mountain. Competition-based cultures can be especially hard on new hires, introverts, minorities, women, and those for whom English is a second language. It's difficult to exaggerate the stifling effect that competitive idea exchange can have on some of these people. That's where communications technologies can help.

Communications technologies have opened the doors for idea sharing. In organizations of all kinds, they have encouraged bottom-up decision making, loosened sticky spigots of information, and become electronic suggestion boxes. Royal Dutch/Shell, for instance, has found that many of its most worthwhile innovations have come from employees via e-mail. Similarly, IBM's rebirth as a more nimble, Web-savvy company began when CEO Lou Gerstner invited employees at all levels to communicate with him by e-mail soon after he arrived in 1993. It did not take long for Gerstner to begin hearing about stalled projects and unsolved problems that were stuck in IBM's many corporate cobwebs.

Email, of course, is only the beginning. Communications technologies now extend well beyond basic e-mail into various kinds of both real-time and asynchronous electronic connections. They include chat rooms and news groups; conferencing systems; technologies for surveys, voting, and joint document preparation; distance education; remote control of computers for demonstrations or group graphic designs; and more. As Robert Shapiro once said, many of these technological developments "just rip through hierarchy."

Electronic communications are ideal for involving creative people who might be shunned or perceived as marginal in organizations that rely too heavily on face-to-face idea exchange. The asynchronous nature of many of today's communications technologies gives employees the opportunity to edit and dig deeper into what they really want to say; the typical pressures of face-to-face meetings—of having to speak up and be aggressive with ideas—are reduced. What's more, use of electronic communications often means that an employee's age, gender, ethnicity, physical appearance, and personality quirks no longer determine how his suggestions are received. The result is that companies are better able to retain unconventional, creative employees who may be bad at office politics but good at generating fresh ideas.

Give the Green Light

At Royal Dutch/Shell, innovation teams fielded suggestions e-mailed by fellow employees. Using a method devised by the consulting firm Strategos,

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six-person “GameChanger” teams met weekly to assess ideas. As Gary Hamel, the head of Strategos, reported in his article “Bringing Silicon Valley Inside” (HBR September 1999), the GameChanger teams assessed 320 proposals during their first two years of operation. The proposals were evaluated not only on the basis of what Shell stood to lose by pursuing the suggestion, but also what it could lose by *not* doing so. Of Shell’s five top innovations in 1999, four bubbled up through GameChanger meetings. One of these was the company’s Light Touch method of using laser sensors to discover hydrocarbon emissions of oil deposits. Among the most striking discoveries of the GameChanger process was how many ideas came from employees who weren’t thought to be innovative. It turned out that most had never had opportunities to express their ideas.

Failure-tolerant leaders emphasize that a good idea is a good idea, whether it comes from Peter Drucker, *Reader's Digest*, or an obnoxious coworker. This approach blunts the group’s natural disposition to squelch imaginative, though difficult, participants. Psychologist Michael Kahn suggests running meetings using what he calls “barn raising,” a model based on the way pioneers pitched in as a community to help one another construct outbuildings. According to this model, rather than engage in one-upmanship, members are encouraged to listen carefully to each person’s idea, then add their thoughts to see if they can build that idea into a more valuable contribution. Such an atmosphere of exploration lets group members search diligently for value in

ideas that might otherwise have been discarded. They also feel comfortable knowing that their suggestions will receive the same treatment.

Like Shell’s GameChanger groups, Kahn’s barn-raising techniques are an effective catalyst for innovation. So, too, is a gathering known as a “community of practice,” or a small group of employees within an organization that meets regularly to discuss common interests. The value of these communities goes far beyond information exchange. In their article “Communities of Practice: The Organizational Frontier” (HBR January–February 2000), management consultants Etienne Wenger and William Snyder refer to these gatherings as “petri dishes for entrepreneurial insights.” The way these groups arrive at ideas is similar to brainstorming: Members suspend judgment and allow others to toss out suggestions in an atmosphere of cooperation and support rather than competition and criticism. Unlike skunk works, these groups are ad hoc gatherings of people from many parts of an organization; their collective attitudes can often infuse an organization’s culture as a whole, particularly an attitude of daring. As the member of one Indiana community of practice told Wenger and Snyder, “I took a risk because I was confident I had the backing of my community—and it paid off.”

What’s really going on in these groups is courage enhancement. By creating an atmosphere of safety and reducing the pressure to succeed, the groups give people the confidence to share their ideas. Employees who once felt inhibited suddenly feel free to express their thoughts, frequently con-

tributing to the innovations that drive the company.

FAILURE-TOLERANT LEADERS SEND clear messages to their organizations that constructive mistakes are not only acceptable but worthwhile. Employees feel that they have been given the green light to set out and explore, no longer thinking in terms of success or failure but instead in terms of learning and experience. And that’s the key to coming up with breakthrough products and processes: viewing mistakes for the educational tools they are and as signposts on the road to success. ☺

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Richard Farson was the cofounder of the Western Behavioral Sciences Institute in La Jolla, California, and the author of *Management of the Absurd: Paradoxes in Leadership* (Simon & Schuster, 1996) and *The Power of Design: A Force For Transforming Everything* (Greenway, 2008). **Ralph Keyes** is the author of *The Courage to Write: How Writers Transcend Fear* (Henry Holt, 1995) and *Euphemania: Our Love Affair with Euphemisms* (Little, Brown, 2010). This article is adapted from their book, *Whoever Makes the Most Mistakes Wins: The Paradox of Innovation* (Free Press, 2002). Copyright 2002 by Richard Farson and Ralph Keyes.



HOW COMPANIES LEARN FROM MISTAKES

Quick Takes



1. Redefining Failure

→ by SETH GODIN

WE THINK WE know what failure looks like: Products don't get purchased. Reorganizations make things worse. Shipments aren't delivered. Speeches don't get applauded. Things explode. These are the emergencies and disasters that we have nightmares about.

We think that failure is the opposite of success, and we optimize our organizations to avoid it. We install layers and layers of management to eliminate risk and prevent catastrophes. One surefire way we've found to avoid failing is to narrowly define what failure is—in other words, to

treat almost everything that happens as a nonfailure. If the outcome of our efforts isn't a failure, there's no need to panic, is there? Failure creates urgency. Failure gets you fired. Failure cannot stand; it demands a response. But the status quo is simply embraced and, incredibly, protected.

Given our strong cultural bias against failure, this probably won't win me any fans, but I think we have no choice but to aggressively redefine the concept to include far more outcomes than our current definition does.

Every day, there's a line (sometimes 10 minutes long) to use the ladies' room at Grand Central in New York. This is a failure. It's a failure of design, of gender relations, and of resources. Because it's not currently treated as a failure, it doesn't get addressed. We're fine with the status quo.

Every day, thousands of people call your business's customer support line because they don't understand how to use one of your products. This is a failure. It's a failure worse than if they hadn't bought your product at all. A zero-sales situation might set off alarm bells—but the ringing phone feels like a normal interaction, not a failure.

And every day, some of your company's resources and assets go to waste. The permission your best customers have given you to market to them is abused when you send them unwanted pitches. The momentum you've worked so hard to create for your new product line is squandered because your

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■ Failure demands a response. But the status quo is embraced and, incredibly, protected.

marketers are busy focusing on other things. These are failures, failures as urgent as if a wheelbarrow of cash were burning unchecked in the parking lot of your building.

If you care about your company, your customers, and the meaning of value, you'll care enough to reexamine your definition of failure. Here are a few types to consider adding to the mix:

Design failure. If your product or service is misdesigned, then people don't understand it, don't purchase it, or may even harm themselves when they use it, and you have failed.

Failure of opportunity. If your assets are poorly deployed, ignored, or decaying, it's as if you are destroying them, and you have failed.

Failure of trust. If you waste stakeholders' goodwill and respect by taking short-cuts in exchange for short-term profits, you have failed.

Failure of will. If your organization prematurely abandons important work because of internal resistance or a temporary delay in market adoption, you have failed.

Failure of priorities. If your management team chooses to

focus on work that doesn't create value, that's like sending cash directly to your competitors, and you have failed.

Failure to quit. If your organization sticks with a mediocre idea, facility, or team too long because it lacks the guts to create something better, you have failed.

Failure of respect. If you succeed without treating your people, your customers, and your resources with respect and honesty, you have failed.

And, of course, the most self-referential form of failure is the failure to see when you're failing.

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Seth Godin is an entrepreneur, a blogger, and an author. His latest book is *The Practice: Shipping Creative Work* (Portfolio, 2020).



2. How Coca-Cola, Netflix, and Amazon Learn from Failure

→ by BILL TAYLOR

WHY ARE SO many successful business leaders suddenly urging their companies and colleagues to make more mistakes and embrace more failures?

Right after he became CEO of Coca-Cola, James Quincey called upon rank-and-file managers to get beyond the fear of failure that had dogged the company since the New Coke fiasco of so many years ago. "If we're not making mistakes," he insisted, "we're not trying hard enough."

Netflix CEO Reed Hastings, even as his company

was enjoying unparalleled success with its subscribers, worried that his fabulously valuable streaming service had *too many* hit shows and was canceling too few new shows. "Our hit ratio is too high right now," he told a technology conference. "We have to take more risk...to try more crazy things...we should have a higher cancel rate overall."

Even Amazon CEO Jeff Bezos, arguably the most successful entrepreneur in the world, believes that his company's growth and innovation are built on its



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failures. “If you’re going to take bold bets, they’re going to be experiments,” he explained shortly after Amazon bought Whole Foods. “And if they’re experiments, you don’t know ahead of time if they’re going to work. Experiments are by their very nature prone to failure. But a few big successes compensate for dozens and dozens of things that didn’t work.”

The message from these CEOs is as easy to understand as it is hard for most of us to put into practice. I can’t tell you how many business leaders I meet, how many organizations I visit, that espouse the virtues of innovation and creativity. Yet so many of these same leaders and organizations live in fear of mistakes, missteps, and disappointments—which is why they have so little innovation and creativity. If you’re not prepared to fail, you’re not prepared to learn. And unless people and organizations manage to keep learning as fast as the world is changing, they’ll never keep growing and evolving.

So what’s the right way to be wrong? Are there techniques that allow organizations and individuals to embrace the necessary connection between small failures and big successes? Smith College, the all-

women’s school in western Massachusetts, created a program called Failing Well to teach its students what all of us could stand to learn. “What we’re trying to teach is that failure is not a bug of learning; it’s the feature,” explained Rachel Simmons, who runs the initiative, in a *New York Times* article. Indeed, when students enroll in her program, they receive a Certificate of Failure that declares they are “hereby authorized to screw up, bomb, or fail” at a relationship, a project, a test, or any other initiative that seems hugely important and “still be a totally worthy, utterly excellent human being.” Students who are prepared to handle failure are less fragile and more daring than those who expect perfection and flawless performance.

That’s a lesson worth applying to business as well. Patrick Doyle, former CEO of Domino’s Pizza, had one of the most successful seven-year runs of any business leader in any field. But all of his company’s triumphs, he insists, are based on its willingness to face up to the likelihood of mistakes and missteps. In a presentation to other CEOs, Doyle described two great challenges that stand in the way of companies and individuals being

more honest about failure. The first challenge, he says, is what he calls “omission bias”—the reality that most people with a new idea choose not to pursue the idea because if they try something and it doesn’t work, the setback might damage their career. The second challenge is to overcome what he calls “loss aversion”—the tendency for people to play not to lose rather than play to win, because for most of us, “the pain of loss is double the pleasure of winning.”

Creating “the permission to fail is energizing,” Doyle explains, and a necessary condition for success—which is why he titled his presentation, with apologies to the movie *Apollo 13*, “Failure Is an Option.” And that may be the most important lesson of all. Just ask Reed Hastings, Jeff Bezos, or James Quincey: There is no learning without failing, and there are no successes without setbacks. 🔄

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Bill Taylor is the cofounder of Fast Company and the author of *Simply Brilliant: How Great Organizations Do Ordinary Things in Extraordinary Ways*. (Portfolio, 2016).



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LEADING A RECOVERY FROM FAILURE

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“We Had to Own the Mistakes”

Starbucks CEO Howard Schultz on the challenges of leading a turnaround at the company he made a household name

→ Interviewed by ADI IGNATIUS

BY THE TIME HOWARD SCHULTZ stepped down as chief executive of Starbucks, in 2000, the coffee chain was one of the world’s most recognizable brands—and on a steady trajectory of growth. Eight years later Starbucks was suffering from a rough economy and its own strategic missteps, and Schultz felt compelled to return to the CEO seat. His previous tenure had seen promising growth, but now he faced a challenging mission: to lead a turnaround of the company he had built. In this condensed and edited interview, Schultz discusses what it’s like to retake the reins in the middle of a crisis.

HBR: We thought we knew the Howard Schultz story. You had a vision, built a successful company, and moved on. But then Starbucks ran into trouble, and two years ago you had to return as CEO. How hard has it been to get things right?

SCHULTZ: The past two years have been transformational for the company and, candidly, for me personally. When I returned, in January 2008, things were actually worse than I’d thought. The decisions we had to make were very difficult, but first there had to be a time when we stood up in front of the entire company as leaders and made almost

a confession—that the leadership had failed the 180,000 Starbucks people and their families. And even though I wasn’t the CEO, I had been around as chairman; I should have known more. I am responsible. We had to admit to ourselves and to the people of this company that we owned the mistakes that were made. Once we did, it was a powerful turning point. It’s like when you have a secret and get it out: The burden is off your shoulders.

To what extent did the financial crisis add to the management crisis?

For some reason we seemed to become the poster child for excess. It’s easy to laugh about it now, but people said that buying a latte at Starbucks wasn’t smart. McDonald’s put up billboards saying that four dollars for a coffee is dumb. Gas went as high as five dollars in some places, coupled with the financial crisis—and all of a sudden we saw a seismic change in consumer behavior. Weekends have always been our busiest times, but people changed their driving habits. There were times during the day when we didn’t have enough sales per hour to justify the labor. And this for a company that had always hit not singles or doubles but home runs. We didn’t really know how to respond, because it’s not something you’re taught, and we’d never had any such experience. I spent a lot of time reaching out to people much smarter than me, who were managing big retail businesses and consumer brands, and I was stunned that every time I called someone, they wanted to know more from me than I could get from them, because they were in the same position. No one had any answers.





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Also, you were suddenly facing serious competition.

We had never had much competition. Everything we did more or less worked. And that produced a level of hubris that caused us to overlook what was coming. Big-time people began to notice that this coffee business is a good business and highly profitable. McDonald's and Dunkin' Donuts were on the very low end. Let's characterize them as willing to do anything to capture or intercept customers—free coffee, coupons, say anything, do anything. We respect them as companies, but we didn't respect their practices. At the higher end were the independents who went to school on Starbucks. And there was this feeling of “Let's support the local companies.” So Starbucks was being squeezed to the middle, and that is an undesirable place for us to be.

And by this time, bloggers were making life tough for you.

Social media suddenly started defining Starbucks. We were an easy target. Bloggers were putting holes in the equity of the brand, and it was affecting consumer confidence, our people, everything. I woke up one day and went to my desk, and I had 75 to 100 e-mails and phone calls about an issue I had never heard of. There was a sensational story in the *Sun*, in London, that Starbucks was wasting water through something called the “dipper well.” My phone rang, and it was a reporter asking me to comment on the dipper well. “I have no idea what you're talking about,” I said. The reporter said, “Mr. Schultz, I suggest you Google Starbucks real fast.” The *Sun* claimed

that we were pouring “millions of litres of precious water down the drain” as a result of the method we used to sanitize equipment. The report was wildly exaggerated, and we had been working for several years to find a better solution, but we suddenly became the target of conservation groups. We had a real problem. The lesson was that the world had changed. Something that had happened in London had created a worldwide story that positioned Starbucks with venom and disrespect. And we didn't know how to respond. The issues of social media, digital media, and getting smart about the rules of engagement emerged as a tremendous weakness for the company. Ultimately our reputation didn't suffer, but we spent countless hours defending ourselves when in fact we have a very strong track record in environmental stewardship.

What was the low point after your return?

The challenge was how to preserve and enhance the integrity of the only assets we have as a company: our values, our culture and guiding principles, and the reservoir of trust with our people. There was unbelievable pressure from multiple constituents. I've saved every analyst's report and major story, and what was said about us and about me. My favorite was “Never give an 800-pound gorilla caffeine.” There was a death march of comments like “Starbucks's days are numbered,” “It's no longer relevant,” “McDonald's will definitely kill Starbucks,” and “How could the board bring back Schultz, who is responsible for all this?”

How had things gone so wrong?

There was a different team here—very good people, who deserve respect and not the burden of responsibility, because I was chairman of the company, and I am culpable. Success is not sustainable if it is defined by how big you become or by growth for growth's sake. Success is very shallow if it doesn't have emotional meaning. I think there was a herd mentality—a reason for being that somehow became linked to PE, the stock price, and a group of people who felt they were invincible. Starbucks isn't the first company that has happened to, and thankfully we caught it in time.

Do you feel there's a clash between trying to be a premium destination with a premium-priced product and being a public company?

I don't think so. Hundreds of public companies have a premium position in their categories. I think the tension is about can you be big and stay “small”? Can you maintain intimacy with your customers and your people? We understand our business very well, and we understand our customers. And to a person, we understand that we are only as good as yesterday and we have to come to work every day and try to exceed the expectations of our people and customers.

Yet every company that begins small and “authentic” eventually finds it hard to retain that image as it expands. How can you combat that?

You have to have a 100% belief in your core reason for being. There was tremendous pressure in the first three or four months after my return to dramatically change the strategy and the

PHOTOGRAPH BY MIKE MCGREGOR/CONTOUR BY GETTY IMAGES

■ ■ “You have to have a 100% belief in your core reason for being. Franchising the system would have fractured the culture of the company.”

business model of the company. The marketplace was saying, “Starbucks needs to undo all these company-owned stores and franchise the system.” That would have given us a war chest of cash and significantly increased return on capital. It’s a good argument economically. It’s a good argument for shareholder value. But it would have fractured the culture of the company. You can’t get out of this by trying to navigate with a different road map, one that isn’t true to yourself. You have to be authentic, you have to be true, and you have to believe in your heart that this is going to work. Someone said to me, “You are roasting 400 million pounds of coffee a year. If you reduce the quality 5%, no one would know. That’s a few hundred million dollars!” We would never do that.

How did you start to get things back on track? To what extent was it an advantage that you had been in the CEO chair before?

There were a number of things I did that perhaps a new CEO couldn’t have done because he wouldn’t have had the license I had. For example, I shut our stores for three and a half hours of retraining. People said, “How much is that going to cost?” I had shareholders calling me and saying, “Are you out of your mind?” I said, “I’m doing the right thing. We are retraining our people because we have forgotten what we stand for, and that is the pursuit of an unequivocal, absolute commitment to quality.”

What has been your big leadership moment since you came back?

I decided—against the advice of many

people at the time, because it had a high cost attached to it—to take 10,000 store managers to New Orleans. I knew that if I could remind people of our character and values, we could make a difference. The conference was about galvanizing the entire leadership of the company—being vulnerable and transparent with our employees about how desperate the situation was, and how we had to understand that everyone must be personally accountable and responsible for the outcome of every single customer interaction. We started the conference with community service. Our efforts represent the single largest block of community support in the history of New Orleans, contributing more than 54,000 volunteer hours and investing more than \$1 million in local projects like painting, landscaping, and building playgrounds. Projects took place in several New Orleans neighborhoods over the course of the week, and I personally assisted with the restoration of homes in one of the hardest-hit areas of the city.

If we hadn’t had New Orleans, we wouldn’t have turned things around. It was real, it was truthful, and it was about leadership. An outside CEO would have come into Starbucks and invariably done what was most expected, which was cut the thing to the bone. We didn’t do that. Now, we did cut \$581 million of costs out of the company. The cuts targeted all areas of the business, from supply chain efficiencies to waste reduction and rightsizing our support structure. But 99% were not consumer-facing, and in fact, our customer satisfaction scores began to rise at this time and have continued to reach



Idea in Brief

Schultz could not sit back while the company he built suffered strategic missteps, a recession, and a changing marketplace. These are the lessons from Starbucks’s turnaround:

Own the mistakes. Stand up and admit that you are responsible. This will be a powerful turning point.

Get help. Call on experts to advise you when, for example, social media starts defining your brand in negative ways and you don’t know what to do.

Define your position in the market. Innovate and create new business in order to continue growing.

Stay true to your core values. You need a 100% belief in your reason for being or your efforts to turn around your company will not be successful.

Retrain staff. Spend time and money on making sure your people know what you stand for.



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unprecedented levels. We reinvested in our people, we reinvested in innovation, and we reinvested in the values of the company.

To what extent do you feel a clash between being the person you want to be, with the values you have, and the responsibilities of running a big public company?

That’s a very important question. Being the CEO of a public company over the past couple of years has been difficult. And lonely. The tension you describe assumes that one can’t be values-driven or values-based and achieve success or the respect of the Street. I don’t think that is true. But the only ingredient that works in this environment is performance—so we have to perform. If we don’t perform, either we have the wrong strategy or we don’t deserve to be here. I think we’ve demonstrated that the strategy is right and the balance between profitability and having a social conscience and being a benevolent company will lead to significant long-term value for shareholders.

What’s an example of a decision you’ve made that Wall Street didn’t like?

Health care. Our health care costs over the past 12 months were approximately \$300 million. [Starbucks offers health care benefits to any eligible employee who works at least 20 hours a week.] The thought that we would cut that benefit—I couldn’t do it. Within this past year I got a call from one of our institutional shareholders. He said, “You’ve never had more cover to cut health care than you do now. No one

will criticize you.” And I just said, “I could cut \$300 million out of a lot of things, but do you want to kill the company, and kill the trust in what this company stands for? There is no way I will do it, and if that is what you want us to do, you should sell your stock.” What I stand for is not just to make money; it’s to preserve the integrity of what we have built for 39 years—to look in the mirror and feel like I’ve done something that has meaning and relevancy and is something people are going to respect. You have to be willing to fight for what you believe in.

How do you ultimately define shareholder value?

I do not believe that shareholder value is sustainable if you are not creating value for the people who are doing the work and then value for customers. Quintessentially we are a people-based company. You couldn’t find another consumer brand that is as dependent on human behavior as we are. We built Starbucks not through traditional marketing or advertising but through the experience. And that experience can come to life only if people are proud, if they respect and trust the green apron and the people they are representing.

To what extent did the cuts and layoffs you made break the internal trust that you had built up?

There are a lot of ways you can communicate bad news. We decided that we had to be in front of our people, so we held a companywide meeting with me at the center to announce the layoffs and closures. We had an open mike, and people went after me. I stood there and

answered the questions, and I apologized for making decisions that people thought fractured the trust we had built for so many years. I tried to explain that these decisions were made on the basis of preserving the whole, and that I understood there would be damage. I also explained that we felt incredible compassion for the people who had to leave. You have to be honest and authentic and not hide. I think the leader today has to demonstrate both transparency and vulnerability, and with that comes truthfulness and humility and obviously the ability to instill confidence in people, and not through some top-down hierarchical approach.

You talk a lot about values. How do you balance these with more-standard strategic thinking?

Unfortunately, we live in a sea of mediocrity in all walks of life. We also live amid a fracturing of civility. Everywhere we go as consumers, we’re getting people who don’t want to reach into our hearts or know who we are; they want to reach into our wallets and get some money. The equity of the brand is defined by the quality of the coffee but also, most importantly, by the relationship that the barista has with the customer and whether or not the customer feels valued, appreciated, and respected. That is our aspiration every day. The reputation of the company is the reason we can put bottled Frappuccino on a supermarket shelf, or VIA [instant coffee], because there is a level of trust and confidence in the brand name. The only way we can succeed and sustain growth and innovation is linked to the basic elements of one

■ ■ **“Quintessentially we are a people-based company. You couldn’t find another consumer brand as dependent on human behavior.”**

cup of coffee, one customer, and one barista at a time.

You obviously are a very emotional guy and put a lot of stock into your relationship with your staff. To what extent are you a metrics guy?

I think I am an intuitive person to a fault. Over the past year and a half I have become more reliant on what you call the metrics, but that has never been a primary guide for me. More often than not I’ve taken the road less traveled. We got nailed for instant coffee because people thought it was the most desperate thing we could be doing. The research said it could be brand dilutive, that no one would pay a dollar for a cup of instant coffee, that it would cannibalize our sales. But it’s going to be a major business for the company, and people will look back and say, “Boy, they were smart.” VIA continues to exceed our expectations in every market where we’ve launched, and we remain extremely excited about its prospects as we add new markets during the coming year. We expect a positive contribution to profit for the full fiscal year 2010 based on the strong performance of VIA to date.

How do you execute your vision and strategy?

Whether you are a high-tech company or a coffee company, your responsibility has to be to constantly create the kind of excitement that provides differentiation and separation in the marketplace. Not innovation for innovation’s sake but innovation that is relevant, usable, and, in our case, core to the culture. In terms of execution, we’ve unplugged a lot of things that were taking up mind

space and time, and we’ve understood that less would be more. Innovation is a way of life for us, but we put every new idea through a tremendous amount of scrutiny: Is this what our customers want? Can we scale it? Can this help us provide an even better experience for our customers? We were asking our people to do too much, to chase after too many new ideas that took us away from our core business, so we pulled the plug on lots of things and focused on the ones that were most important.

Let’s talk more about the role of social media. There are people out there who adore you, and people who criticize everything you do. How do you take advantage of the new tools?

The rules of engagement in traditional marketing are over. Whether you are creating a brand, building one, or running a big one, you’d better understand social media, because there is a seismic shift in how people are gaining access to information and, as a result, how they are behaving. Information can’t be from the company to the consumer; it has to be a level playing field where consumers feel that they are opting in and that there is a sharing of information. Cracking the code involves understanding how to create an opportunity for people to feel pride, a sense of discovery, that they want to share this with someone they care about.

How, exactly, do you reach out?

The dipper well was a lesson. We assembled a group of very smart people who understand the world I just described and live it every day. And we created not a tool kit but a new way of behaving,

of being proactive and creating ways in which we could connect the dots through a landscape of multiple digital media and social media channels and could become a relevant, trusted source rather than a promoter of a product or ideas. With help, we set up a website to seek ideas from customers. There was great resistance inside to allowing the outside world to tell us what we are doing wrong. But the openness led to a different mentality. We weren’t myopic about who we were and how we were going to go to market. We became more open and vulnerable, listened to people, and as a result started creating a new methodology, a new language, and new tools and tactics that enabled us to become best of class. We’re the number one brand on Facebook.

What does that get you?

It means that 7 million people are very interested in what we are doing and what we have to say. It has changed our go-to-market strategy—how we communicate, unveil, and innovate, and ultimately how we arrive in the marketplace. The success of the things we have done this year is directly linked to the fact that the cost of customer acquisition and communicating to the outside world is significantly lower for us than it is for people who are spending money on traditional advertising or haven’t got this right. The feedback loop is making us better because of the insight we are gaining from that audience. We never were a traditional advertiser, and our marketing dollars were typically spent in the store, because our baristas and word of mouth built that brand. While that’s still the case today, social media



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now give us another way to connect to customers.

Well, your numbers do seem to be starting to turn around.

The numbers don't tell the whole story, but Q1 represented the best financial results in the history of the company, and Q2 was the first time in 13 quarters that we've had incremental traffic in our stores.

Now what? Is the café business played out? If so, where will you find future growth?

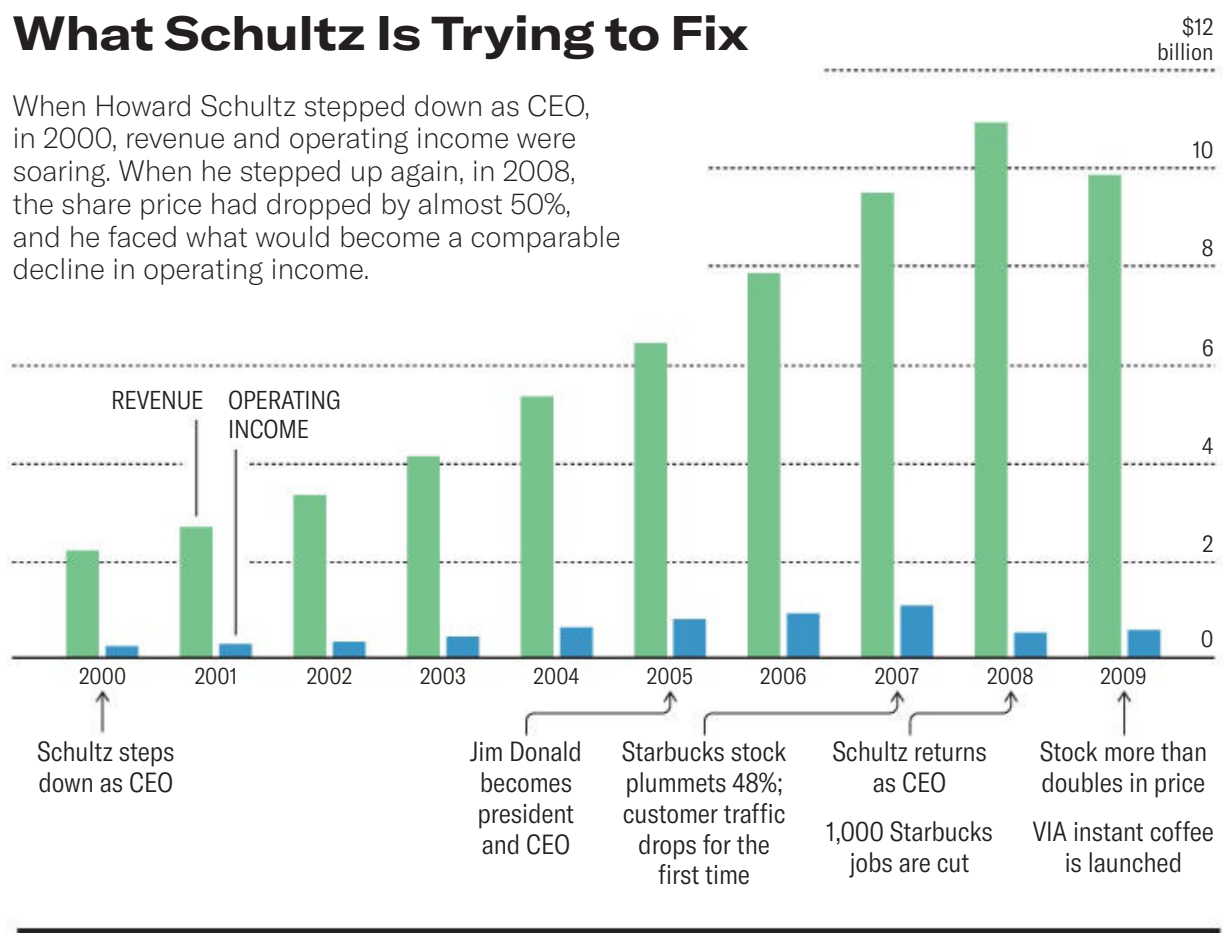
I dispute that the relevancy of a Starbucks retail store or café doesn't have staying power. I would say the opposite. We are living in a society where there is a need for human connection and a sense of community. And what we do every day is bring people together. Last week I was in four Asian countries in six days. In all four places there is a mirror image of what happens in a Starbucks store in Seattle—the sense of community extension. People are using Starbucks stores as their own, and drinking coffee. So the growth of the company is going to come from continuing to optimize the retail footprint. We're not nearly close to saturation in North America, despite what the cynics or pundits might say, and certainly the runway for growth outside North America is significant. We have less than a 1% share of coffee consumption outside North America.

What are your plans for new sources of growth?

In the past 10 years we've created a unique combination of assets. We own

What Schultz Is Trying to Fix

When Howard Schultz stepped down as CEO, in 2000, revenue and operating income were soaring. When he stepped up again, in 2008, the share price had dropped by almost 50%, and he faced what would become a comparable decline in operating income.



our retail stores and also have been able to leverage the Starbucks brand to bring products to the grocery channel. The best case study of that is Frappuccino, which is now a \$2 billion revenue business. Most national retailers franchise their businesses, which limits distribution opportunities outside their retail stores. Our differentiated model—added to the culture and values that define our company—gives us the nimbleness and flexibility to offer our products to customers through multiple channels. We're now selling VIA through this model, at 30,000 distribution points. Instant coffee is a \$23 billion global category that hasn't seen much innovation in years. Most of it is low-grade. We've cracked the technological

code and can deliver with VIA the same Starbucks coffee quality.

How big can you be in China?

We will have thousands of stores in China. Chinese people are drinking Starbucks coffee and using our stores as an extension of their home or work. China is an extremely complicated place to build a relevant consumer brand that doesn't become faddish and out of favor. It's filled with a lot of navigational challenges. Every consumer brand in the world is looking at China as the answer to its prayers. There will be lots of winners, and there will be many, many more losers who don't get it right. We will get it right. We have to be thoughtful, highly disciplined, and ex-

■ “China is an extremely complicated place to build a relevant consumer brand. We will get it right.”

tremely respectful of local Chinese customs, food preferences, and consumer behavior. In order to do that, we have to see the world through a Chinese lens. We are really turning upside down the go-to-market strategy whereby things in the past few years have been invented and executed here. They now have to be invented and executed by the local Chinese team. The challenge is making sure that we do it within the guardrails of the Starbucks brand.

Like Steve Jobs, you were a seminal leader. And when you handed over the reins, there was trouble. Can you ever leave again? Would Wall Street panic?

It's a fair question. I've talked to friends who founded companies about this issue and the role of a founder, and what it means when at some point you do leave. One of the lessons learned is about succession planning. In all fairness to Jim Donald [the CEO from 2005 to January 2008], I don't think I did that well. And as self-serving as it sounds, I don't think an outsider would have succeeded [as CEO]. The ground was crumbling underneath us because of self-induced issues, the financial climate, and seismic changes in consumer behavior. I knew where all the bones were buried, so I could move quickly. An outsider would not have had the time to learn. As a result, he would have yielded to the easy place to go, which would be cuts, and that would have taken all the heart and soul and conscience out of the company. I am very aware of my duty and responsibility to get succession planning right the next time around. But I am here to see this through for a while. I'm not leaving soon.

What will the Howard Schultz career legacy ultimately be?

There is a sensibility of the brand. Our role as leaders is to celebrate the human connection that we have been able to create as a company, and to make sure people realize the deep level of respect we have for the work they do and how they act. That is the legacy of the company. It's not to get bigger or to make more money.

Here's a true example: A woman barista in Tacoma, Washington, sees a customer every day, and they become friendly as a result of her work. She begins to see that the woman looks ill. Finally she gets up the courage to say, “You just don't look well—what's wrong?” The woman says, “If I don't get a kidney transplant, I am going to die.” A miracle occurs: The barista is a match for the customer, and she gives her a kidney. It's incredible. I drove to Tacoma to see her, and I said, “Who are you? I've never heard a story like this.” There are a lot of really great companies out there, and wonderful cultures, but something like this doesn't happen very often.

You've probably been asked this a million times, but what's your drink?

My favorite coffee is aged Sumatra. My typical drink is a doppio espresso macchiato.* ☺

HBR Reprint R1007K

Howard Schultz is the former chairman and two-time CEO of Starbucks.

**A double espresso topped with steamed milk.*



LEADING A RECOVERY FROM FAILURE

Quick Takes



1. A Guide to Building a More Resilient Business

→ by MARTIN REEVES and KEVIN WHITAKER

IN THE MIDST of the Covid-19 crisis, we have become painfully aware of the fragility of supply chains, health care, and other critical systems. Many leaders have announced the intention to build back their businesses more resiliently, but not many know how to do so. Few business schools teach resilience, and today's managerial tool kit is dominated by financial performance management. As a result, very few companies are able to explicitly design for, measure, and manage resilience.

Why Resilience Is Important

We can usefully define “resilience” as a company's capacity to absorb stress, recover critical functionality, and thrive in altered circumstances.

Resilience is especially important today because the business environment is becoming more dynamic and unpredictable. This is a result of several enduring forces stressing and stretching business systems—from accelerated technological evolution to a greater inter-

connectedness of the global economy to broader issues such as rising inequality, species depletion, and climate change.

There is no better example of system stress than the coronavirus crisis. Humans impinging on the natural environment have enhanced the risk of cross-species infections. Dense urban populations facilitated the rapid initial outbreak of the disease. International travel hastened its global spread. Extended global supply chains have broken down.

Economic activity has been massively disrupted, and inequalities and social tensions have been exacerbated.

And Covid-19 is not a one-off. SARS, MERS, and Ebola forewarned an inevitable global pandemic, and there is every reason to expect that we will see others in the future. Furthermore, the same circumstances are also conducive to the spread of a cyber virus and to economic instability that could result from climate change or social tensions.

The Challenge of Measuring and Managing Resilience

Traditional management approaches have several important limitations that make measuring and achieving resilience difficult:

- Companies have been designed predominantly to maximize shareholder value from dividends and stock appreciation. Very few companies even attempt to measure resilience beyond merely disclosing specific material risks.
- Companies and shareholders often focus on maximizing short-term returns. In contrast, resilience requires a multi-timescale perspective: forgoing a certain amount of efficiency or performance today for the sake

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■ Resilience is especially important today because the business environment is becoming more dynamic and unpredictable.

of more-sustained performance in the future.

- Companies have been mainly focused on creating and executing stable plans, which works well when causal relationships are clear, predictable, and unchanging. Resilience deals with what is unknown, changeable, unpredictable, and improbable—and has significant consequences.
 - In the current model of corporate capitalism, each company is treated as an economic island to be optimized individually. While this simplifies management and accountability, it masks the extent of economic and social interdependence between different stakeholders. In contrast, resilience is a property of *systems*: An individual company's resilience means little if its supply base, customer base, or the social systems upon which it depends are disrupted.
- Managing for resilience therefore requires more than just grafting new ideas or tools onto today's approaches. It requires a fundamentally different mental model of business—one that embraces complexity, uncertainty, interdependence, systems thinking, and a multi-timescale perspective.

Of course, many companies already undertake some

form of risk management, but mostly to understand and minimize exposure to specific known risks. Resilience must also deal with unidentified risks and consider the adaptations and transformations a company must make to absorb environmental stress and even turn it to advantage.

Building Resilient Enterprises

Companies can structure their organizations and decision processes for resilience by embracing six principles of long-lasting systems:

Redundancy buffers systems against unexpected shocks, albeit at the expense of short-term efficiency. It can be created by duplicating elements (such as by having multiple factories that produce the same product) or by having different elements that achieve the same end (functional redundancy).

Diversity of responses to a new stress helps ensure that systems do not fail catastrophically, albeit at the expense of the efficiencies obtainable through standardization. In business, this requires not only employing people from different backgrounds and with different cognitive profiles

but also creating an environment that fosters multiple ways of thinking and doing things.

Modularity allows individual elements to fail without the whole system collapsing, albeit while forgoing the efficiency of a tightly integrated organizational design. Because a modular organization can be divided into smaller chunks with well-defined interfaces, it is also more understandable and can be rewired more rapidly during a crisis.

Adaptability is the ability to evolve through trial and error. It requires a certain level of variance or diversity, obtained through natural or planned experimentation, in combination with an iterative selection mechanism to scale up the ideas that work best. Processes and structures in adaptive organizations are designed for flexibility and learning rather than stability and minimal variance.

Prudence involves operating on the precautionary principle that if something could plausibly happen, it eventually will. This calls for developing contingency plans and stress tests for plausible risks with significant consequences—which

can be envisioned and prepared for through scenario planning, war-gaming, monitoring early warning signals, analyzing system vulnerabilities, and other techniques.

Embeddedness is the alignment of a company's goals and activities with those of broader systems. It is critical to long-term success because companies are embedded in supply chains, business ecosystems, economies, societies, and natural ecosystems. Articulating a purpose—the way in which a corporation aims to serve important societal needs—is a good way to ensure that the company does not find itself in opposition to society and inviting resistance, restriction, and sanction.

Beyond these structural options, a company can deploy migration strategies, such as shifting its business portfolio mix across products, channels, geographies, or business models to maximize opportunities and minimize adversity. The principal lever for this is capital allocation. Most companies tend to spread resources relatively equally across different businesses and units, but extreme circumstances usually need more-decisive reallocation, which requires both the business intelligence



and the mental agility to see new risks and opportunities before they become apparent to competitors. A key concept here is sufficiency: Many companies will be seeing and piloting new models under changing conditions, but only those that allocate sufficient capital with sufficient speed will succeed in shifting the center of gravity of their business.

Then there are environmental-shaping strategies. To a latecomer in an established market, the business environment is a given. But a pioneer in an emerging opportunity can shape the environment. By imagining possible new realities, especially in dynamic environments, and then realizing them through shaping and persuasion, companies can reduce their exposure to unfavorable shocks. Migration and shaping go beyond risk mitigation by creating and exploiting new opportunities to flourish.

Finally, companies can increase their resilience through collaboration with other players. Business ecosystems, such as digital platforms, can increase their collective resilience through access to new capabilities, increased flexibility, and a reduced fixed cost of entry into businesses where assets

can now be shared. Shared platforms essentially create “real” insurance against the unexpected through investment in shared execution, adaptation, and innovation mechanisms.

The Benefits of Resilience

When confronted with unanticipated stress, a company that employs resilience principles has multiple advantages that play out sequentially:

First is an **anticipation benefit**, representing the ability to recognize threats faster. Though this may not be immediately manifested in performance, it can be detected via other signals, such as when a company articulates its resilience plans (something most companies were slow to do in the case of Covid-19). It can also drive advantages in subsequent phases.

Next is an **impact benefit**, representing the ability to better resist or withstand the initial shock. This can be achieved through better preparation or a more agile response.

Then there is a **recovery speed benefit**, representing the ability to rebound from the shock more quickly by identifying the adjustments needed to return to the prior operating level and imple-

menting them swiftly and effectively.

Finally, there is an eventual **outcomes benefit**, representing increased fitness for the new post-shock environment.

Cumulatively, the four gaps produce a significant difference in value. As we observed in China during the initial Covid-19 shock, most sectors and companies came down rapidly and synchronously, but during the recovery phase there was a marked divergence in company performance.

How to Become a More Resilient Company

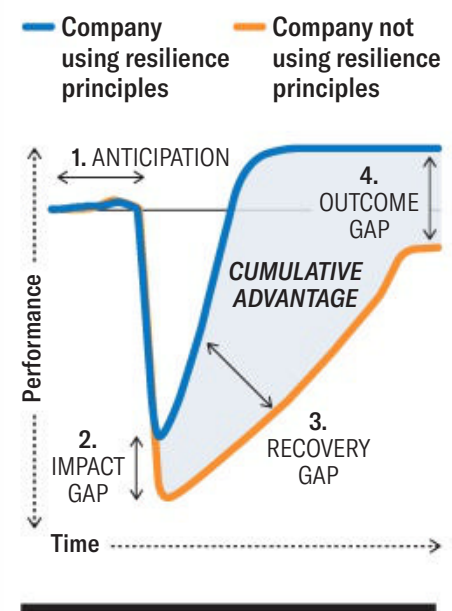
Crises are opportunities for change. With Covid-19, companies have a unique opportunity and necessity to revisit their business models to build greater systemic resilience, starting with the following six actions.

1. Seek advantage in adversity. Don’t merely endeavor to mitigate risk or damage or restore what was; rather, aim to create advantage in adversity by effectively adjusting to new realities.

2. Look forward. In the short run, a crisis may appear tactical and operational, but on longer timescales, new needs and the incapacitation

Assessing Companies’ Relative Resilience

When confronted with unanticipated stress, a company that employs resilience principles has multiple opportunities for advantage that play out sequentially. Cumulatively, these can give a company a significant edge in value over competitors.



of competitors create opportunities. Crises can also be the best pretext for accelerating long-term transformational change. One of the key roles for leaders is therefore to shift an organization’s time horizons outward.

3. Take a collaborative systems view. In stable times, business can be thought of as performance maximization with a given business model

■ Resilient businesses prize cognitive diversity and appreciate the value of variation and divergence.

in a given context. Resilience, by contrast, concerns how the relationships between a business's components or between a business and its context change under stress. It requires systems thinking and systemic solutions, which in turn depend on collaboration among employees, customers, and other stakeholders.

4. Measure beyond performance. The health of a business is not captured only by measures of value extracted, which tend to be backward-looking. Measuring flexibility, adaptation, and other components of resilience is critical to building a sustainable business. This can be done quite simply by looking at either benefits or capabilities.

5. Prize diversity. Resilience depends on being able to generate alternative ways of reacting to situations, which in turn depends on the ability to see things with fresh eyes. Resilient businesses prize cognitive diversity and appreciate the value of variation and divergence.

6. Change as the default. Alibaba founder Jack Ma sees change, not stability, as the default. Resilience is less about making occasional ad-

justments under extreme circumstances and more about building organizations and supporting systems predicated on constant change and experimentation. This is partly to avoid rigidity and partly because iterative incremental adjustment is far less risky than a massive one-shot adjustment.

With the mainstream of business education and managerial practice focused on managing performance, resilience represents an opportunity not just for mitigating risk but also for competitive advantage for enterprises that choose to focus on it. Andy Warhol famously said that in the future, everyone will be famous for 15 minutes. In today's business world, transient high performance is commonplace; it is sustained performance by resilient companies that stands apart.

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2. How to Turn Around Nearly Anything

→ by ROSABETH MOSS KANTER

THE BOSTON RED SOX 2013 World Series championship will long be remembered as proof that you can turn around nearly anything. The team ended 2012 at the bottom of the standings (Las Vegas odds were 28 to 1 that they'd make it to the

World Series) but rallied in 2013. With renewed solidarity and determination, the beard-wearing Sox went on to win the division, the playoffs, and the big prize.

Their game is baseball; my game is change. I've been involved with

■ Facing the facts squarely is a turnaround imperative—open dialogue encourages everyone to see their role in the fix-up.

turnarounds for years, including observing and writing about the Red Sox 2004 World Series win that reversed many decades of being almost-rans. In turbulent times, turnarounds are increasingly a fact of life. Some companies need to be rescued from the brink of extinction (BlackBerry), but that's not the only kind of turnaround. Others need a course correction while still profitable (Microsoft) or a momentum shift because of disruptive new technologies (newspaper companies). Red Sox owner John Henry purchased one of those newspapers needing a momentum shift, the *Boston Globe*. For the *Globe* and its counterparts, the competition is not one rival or game at a time, like baseball; it is multiple digital media offerings and others to be named later. All leaders seeking strategic change can benefit from these turnaround lessons.

Be prepared for bad news; the situation is always worse than you think.

One symptom of decline is withholding information. Inconvenient facts are papered over. Decisions are made behind closed doors. Accusations and blame abound. So it is almost impossible to know the full

extent of problems. When Avon Products CEO Sheri McCoy took the helm in April 2012, she acknowledged that resolving a bribery crisis in China would be a slow process, but she had no idea how slow—it's proving to take longer and cost more, she told analysts, while also mounting multiple initiatives. Facing the facts squarely is a turnaround imperative—open dialogue encourages everyone to see their role in the fix-up.

Identify the core assets that create value for customers, and refurbish them. For newspaper companies, that's the news rather than the paper. For the Weather Channel Company, that's the weather rather than the TV channel. To unlock growth opportunities, CEO David Kenny returned science to the center and took out the word "Channel" in the name—it's now just the Weather Company. At the British Broadcasting Corporation, a turnaround leader reallocated resources from corporate staff to program producers. A bankrupt community health center repaired leaky ceilings in medical examination rooms. Forget bureaucrats, fancy lobbies, and marketing expense—they first restored

the assets that determine whether people use a health center.

Find a meaningful unifying purpose. Teams and companies with negative momentum are characterized by fragmentation—a drift into many activities that get tacked on and stay, becoming ends in themselves. Territories get hardened, and people seem to be out for themselves. It is too easy to lose sight of the larger purpose of being together. Why does this company/team/relationship matter? What is a common definition of success? For airlines, it is on-time performance. For consumer products company Procter & Gamble, it is improving lives, translated in the baby care group into helping babies thrive.

Invest in team building. This is a cliché but still true. Convene strategy retreats and mountain-climbing excursions, as Shinhan, a South Korean company, did. This was a vital step in healing old wounds and going on to stellar performance at the top of the Korean stock market. Red Sox CEO Larry Lucchino echoes this winning strategy: "I used to believe in biology, not chemistry. Give

me big and strong and fast," he said. "I'm a big believer now in team chemistry. You almost always have it when you win, and oftentimes it is team chemistry that leads to winning." His quote stood for every other turnaround examined in my book *Confidence: How Winning Streaks and Losing Streaks Begin and End* (Crown Business, 2004).

Give voice to people who haven't been heard. Every company/community/school is full of buried treasure. Find the ideas that might have been suppressed and bring them into the open or into action. Think small as well as big. Turnarounds operate on several time frames. There are big strategies and systems that take a long time to shift—such as IT, which almost never works the first time, as Americans saw in the hasty failed implementation of the Affordable Care Act website. Meanwhile, there are numerous small wins if everyone is engaged. While Verizon worked on shifting the momentum from landlines and voice to smartphones, Fios (fiber-optic communication systems), and cloud services, mini-innovators created software and streamlined processes.

These lessons work in companies, communities,



countries, sports teams, and even families. The key is to spot symptoms of decline before they accumulate and then shift toward the actions that build positive momentum.

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3. The Art of Admitting Failure

→ by CHARLENE LI

WHEN IT COMES to business, we are incredibly unaccepting and fearful of making mistakes. And forget about admitting our mistakes—that may be construed as a sign of weakness.

But business and leadership is all about relationships. And in any relationship, things go wrong, mistakes are made, ups are followed by downs. The strength of a relationship is

not how perfect it is, but how resiliently it deals with the inevitable failures.

With real-time, tell-all social media ever present, your ability to hide from your failures is nonexistent. You are much better off admitting that something is wrong and addressing it as authentically and transparently as possible.

That's what Domino's Pizza CEO Patrick Doyle did in national television ads.

Domino's is known for primarily one thing—delivering pizza to your door in 30 minutes. Domino's gutsy move was to acknowledge that its pizza was far from stellar. In the ads, the company flashed quotes from customers like “Domino's pizza crust is like cardboard” and “Microwave pizza is far superior.” One customer suggested, “I think Domino's pizza should start over.”

■ With real-time, tell-all social media ever present, your ability to hide from your mistakes is nonexistent.

That's what Domino's did. The company reconfigured its core product, testing combinations of dozens of cheeses, 15 sauces, and nearly 50 crust seasonings to find one that satisfied customers. In the ads, Domino's admitted that its pizzas were terrible, explained that it had redesigned them, and asked people to give them another try.

Viewers described the ads as "bold" and "refreshing," and gave the company credit for acknowledging what everyone already knew. More important, people tried the pizza and found they liked it. The result: Store sales rose, and quarterly profits doubled.

Domino's took a failure point—its horrible pizzas—and made it a rallying point. The company saw negative comments as a gift from customers, an opportunity to improve the product, rather than a liability.

How to Fail Successfully

Dealing with failure is part of being a leader. Rather than expending enormous energy to avoid it, you should build an organization that is resilient in the face of inevitable failures. Here are three steps you can take:

1. Create a culture of sharing failures as well as

success. When then-new Ford CEO Alan Mulally held his first staff meeting, he asked members of his team to give an assessment of their businesses as a "green," "yellow," or "red" light. They all gave their businesses a green light—and Mulally challenged each of them to come back the next week with a more realistic assessment of their businesses. The first executive to stand up and say "I have a red light" received a standing ovation from the CEO. They then sat down to tackle the problem as a team. Mulally had to create a new culture that could admit when something was going wrong, and do so early enough so that the organization could still have an impact on the outcome. Creating this culture has to come from the top. As a leader, you have to think about how you will set the stage for failures to come forward.

2. Reward the act of risk-taking. How many times have you heard a leader exhort, "We have to take more risks!" and then walk off the stage? In one organization, the executives decided that words had to be backed by action. They started highlighting when risks were being taken and showcased people who were sticking

out their necks. They then came back and celebrated the results—regardless of whether they were a success or a failure. Without this, no one is going to take a risk that is meaningful—people will act only if they think there is a high chance of success.

3. Define the limits. While Domino's admission was refreshing, the company didn't open the door to everything it was doing. To make transparency and risk-taking more palatable to risk-averse executives, create "sandbox covenants." Figure out which risks and failures are acceptable. Clearly define the walls of this sandbox and communicate the rules of engagement within those walls. Also explain what the consequences are if people step outside the sandbox, both to them and to the company. By agreeing to these covenants in advance, there is greater confidence and security in knowing that the risks—and the failures—will be accepted.

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A Strategy for Your Digital Transformation (*Wharton School Press*, 2015), as well as the New York Times best seller *Open Leadership: How Social Technology Can Transform the Way You Lead* (*Jossey-Bass*, 2010), and a coauthor, with Josh Bernoff, of *Groundswell: Winning in a World Transformed by Social Technologies* (*Harvard Business Review Press*, 2011). She is a sought-after speaker and adviser to many Fortune 500 companies and a graduate of Harvard College and Harvard Business School.



4. How to Help Your Team Bounce Back from Failure

→ by AMY GALLO

SHANNON FAGAN/GETTY IMAGES

NO ONE LIKES to fail. And while we all know the importance of learning from mistakes, both individuals and teams can struggle to bounce back from big blunders. Whether it was a project that didn't meet

its targets or an important deadline that everyone missed, what can you do to help your employees recover? How can you help them see the experience as an opportunity for growth instead of the kiss of death?

What the Experts Say

It's often harder to lead a team past a failure than it is to help one person. "People are coming into projects with different expectations, perspectives, levels of investment, and things

at stake," explains Susan David, a founder of the Harvard/McLean Institute of Coaching and the author of the HBR article "Emotional Agility." "Some people may be very resilient, and others might feel more bruised," Ben Dattner, an organizational psychologist and the author of *The Blame Game: How the Hidden Rules of Credit and Blame Determine Our Success or Failure* (Free Press, 2011), says. "All the things that individuals fall prey to—misattribution and rationalization—are compounded on a team and add exponential complexity to the process." It doesn't matter whether one person on your team is at fault or if everyone bears some of the responsibility—it's your job as the manager to help the entire group move on. Here's how.

First, take control of your own emotions. Research shows that a leader's feelings are far more contagious than a team member's, so while "you don't want to suppress your emotions, you don't want to get stuck in a moody, negative space either," says David. Do whatever you need to move on from the disappointment so that you're ready to help your team deal with theirs. And don't try to fake it. You need to

■ At some point, it's important to move on from analyzing the failure to talking about what comes next.

be genuinely in control of your feelings or your team will see through you.

Give them space. At the same time, you shouldn't become a "beacon of positivity" before the team is ready, David says. It's OK to let everyone wallow in "disappointment and negative feelings" for a little while. She points to a client whose team lost a client pitch they'd been working on for months. It happened on a Friday, and on Monday morning she came in saying, "Let's move on." Although she was trying to be motivating and forward-focused, to her devastated team, she "came off as uncaring and uncommitted." In fact, negative or neutral emotions are conducive to deductive reasoning, which means they can help your team more effectively process and analyze the failure. When you acknowledge the disappointment—with comments like "We're feeling down" or "This is tough for us"—"you're not just stroking people's emotions. You're facilitating a critical appraisal of the situation," says David.

Be clear about what went wrong. Don't sugarcoat what happened or resort to "corporate speak" that abdicates responsibility. Avoid phrases

like "Let's look on the bright side," "We're lucky it happened this way," "We suboptimized," or "A mistake was made." Instead, be clear: "We missed the deadline because we didn't take into account how long each task would take." When you focus on the facts, Dattner says, you can call it like it is without being demotivating.

But don't point fingers.

"It's more important to focus on what is to blame rather than who is to blame," Dattner says. If the fault really does lie with one person or a few people, then talk to those individuals in private and focus on their actions, not their character. Dattner suggests you say something like: "Here's the mistake you made. It doesn't mean that you're a bad person, but we need to understand why so it doesn't happen again and we can move on." You can also address the group, but be sure to do it in a way that doesn't single anyone out. David recommends an exercise where each team member writes down and shares a piece of feedback for each person on the team. "This allows for personal feedback that is also equitable," she explains.

Shift the mood. At some point, it's also important to

move on from analyzing the failure to talking about what comes next. "The mutual commiserating and examination of what went wrong is useful only up to a point," says David. After a day or two (or maybe longer if the failure was a big one), push your team to more-strategic, open-minded thinking and discussing how you will avoid similar mistakes in the future. Call a meeting and make sure the tone is positive and energized. Dattner says you can use humor to lighten the mood.

Tell a story. You can help everyone begin to see the experience as a learning one by telling them about a mistake you've made in the past. "It can be very powerful when a leader authentically shares a time when they have a crucible-type failure that became a stepping-stone in their career," says David. If you don't have a story—or don't feel comfortable sharing it—consider drawing one or two out from the group. You could say something like: "We've all been on failed projects that ultimately proved to be constructive. Would anyone be willing to share?"

Encourage collaboration. Have a conversation about

the lessons learned from this experience. Don't lecture; discuss. David recommends dividing the team up into two groups: One half thinks through what could go wrong in future projects, and the other half focuses on the positive—what the team can change going forward. It's important to "focus more on solutions than problems, more on the future than the past," says Dattner.

Principles to Remember

Do:

- Deal with your own emotions about what happened so that they don't unduly influence the team
- Give team members time to feel disappointed
- Talk about what went wrong and why

Don't:

- Get stuck in a negative, analytical mood for too long—shift the conversation to focus on the future
- Allow people to point fingers at one another—give constructive feedback and move on
- Lecture the team about what they can learn—let the ideas come from the group



Advice in Practice

CASE STUDY 1

Allow your team to vent

Chris Bullock (not his real name) and his five-person team were responsible for upgrading application software for his company's most challenging client. This involved a large data migration, which did not go as planned. The day after the group turned the switch on the migration, they noticed that the system wasn't working properly, and clients started calling. While Chris and his team hadn't written the actual code, they had been in charge when it failed, so many at the company were blaming them. They were disappointed and angry. "We put a lot of time and late nights into the project, and for it to fail—and so spectacularly—was embarrassing," he says.

The team worked through the weekend to fix the problem. On Monday, Chris left them alone. "For me, these types of failures are like bereavements, and as such people need to work through a similar process," he explains.

On Wednesday, the group met to talk about what had gone wrong. They discussed questions like: "Could we have spotted it sooner?"

and "Why hadn't the test cases found it?" This allowed them to vent and point fingers at other teams not in the room. As a result, by Thursday, they were ready to have a much more constructive discussion with a larger group about how to do things differently next time around.

"We got back on the horse quickly and did the upgrade again two weeks later, and this time, with a successful result," Chris says. The team learned a lot from the experience—most important, that they were "stronger together."

CASE STUDY 2

Get your emotions under control

Wendy Rodriguez has been the director of development at INCAE, the leading business school in Latin America with campuses in Costa Rica and Nicaragua, for eight years. The school celebrated its 50th anniversary last year, and Wendy and her team were responsible for a series of commemorative events.

For the first one, a 700-person gala, they prepared an extensive program. "We were under a lot of pressure and stress. We wanted everything to be more than perfect," says Wendy.

But it was "a massive failure." They'd planned to show videotaped speeches, but none of the audiovisual technology worked, so the school president board chairman had to come up with off-the-cuff remarks.

Wendy and her team were crushed. "We didn't talk about it for two weeks. No one wanted to. It was just too depressing," she says. As the head of the office, she even considered resigning. But soon she saw that her mood was affecting her team, and she made a conscious effort to change it. "I decided to put the problem behind me and take control again. The office needed me to lead," she says. "It took a lot of effort, because I knew it needed to be authentic. It wouldn't work if I was just faking it."

She decided to set up two meetings every week. One was more social—the team would go out for lunch. And the other was focused on discussing the rest of the events coming up and how they could plan better. "We had nine more events to do. We knew we had to be more careful and have contingencies in place," she says. By focusing on work and spending time together, the team began to get its confidence back. "We hadn't wanted to say hi to anyone in

the office, but these meetings helped us raise our heads," she says.

All the other events went off without a hitch.

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5. What to Say When Your Employee Makes a Mistake

→ by PETER BREGMAN

JEFFREY WAS THE CEO of a hedge fund, and he was upset about some poor trades that Tom, one of his portfolio managers, made. He called Tom into his office. (This is a real example with real people, but I've changed their names.)

"Those trades were a terrible idea! What were you *thinking?*" Jeffrey asked Tom.

The conversation quickly went downhill. With that first question, it would have been hard for it to go any other way.

Why was it a bad way to start? "What were you thinking?" is a past-focused question. When Tom explains his thinking to Jeffrey, he'll reinforce his mistake and sound defensive because his thinking was problematic

and led to poor results. He doesn't necessarily think the same way *now*, of course.

Let's play it out. Tom will explain why he made that trade, and Jeffrey will get angry at his poor judgment. Then they'll both leave the conversation frustrated and disheartened (which is, predictably, exactly what happened).

What could Jeffrey have done differently? A better choice would have been to avoid talking about the past and, instead, ask Tom about the future: "How will you do it differently next time?"

This kind of future-focused question allows Tom to acknowledge his mistake and demonstrate his learning. It will reinforce

JOHN CONRAD/GETTY IMAGES

■ The conversation that holds the greatest likelihood of getting to your ultimate outcome is about the future, not the past.

both people's confidence in Tom's abilities while also giving Jeffrey the opportunity to point out any further problematic patterns in Tom's thinking—in a way that could help Tom make better decisions in the future instead of just making him feel bad in the present.

Another advantage of a future-focused question? It's faster and more reliable because you're removing one step in the learning process. Rather than going over your mistake and then (hopefully) applying the learning to a future situation, you go straight to the application.

Why don't we all do this intuitively? Because, in the moment, we're not feeling it. What we're feeling is angry, and probably a little scared, frustrated, and annoyed. And then we blurt out, "What were you *thinking*?"

We do it in order to make *ourselves* feel better. We ask that past-focused angry question because our emotional overload in the situation is simply too much. We burst. But that's not great leadership, and it's not great communication. When we lead and communicate, we're not doing it for ourselves; we're doing it to help others improve.

That means we need to tolerate our difficult emotions

so that they don't overwhelm us and get in the way of our intended impact on others.

Emotional courage is the willingness to tolerate all feelings. It's entirely developable, and developing it increases your ability to lead effectively, get business results, communicate in a way that inspires others, and make the impact you're trying to make. How do I know? My company, Bregman Partners, measured those changes in people who increased their emotional courage at our Leadership Intensive.

It's one thing to know *how* to communicate in a way that inspires others and brings out their best. It's another to actually *do* it, in the heat of the moment, when your emotions are high.

Here are a few keys to making it happen:

1. When you feel emotional, be suspicious of any instinctive reaction. Before saying or doing anything, pause and take a breath.

2. Pose a silent question to yourself: What is the outcome you want your next move to achieve? In other words, what do you want to happen as a result of your communication? Make sure you get to a real outcome. If

your answer is that you want the other person to feel bad, ask yourself why. What are you hoping will result from their feeling bad? If your hopeful response is that they will make better decisions next time, then that is the outcome you're going for. (The feeling-bad part is how you think they will get there—but you're wrong.)

3. Decide what you will do or say that will most likely lead to your ultimate outcome. Often, what you'll find is the conversation that holds the greatest likelihood of getting to your ultimate outcome is about the future, not the past.

If you're a leader, and you're dissatisfied with someone's performance, take that breath, identify the outcome you want, and then ask them what they plan to do in the future.

And if you're Tom? If you've made a mistake and your manager asks you Jeffrey's ill-advised question: "What were you *thinking*?"

As I mentioned, it would be hard for the conversation to go well. Hard, but not impossible.

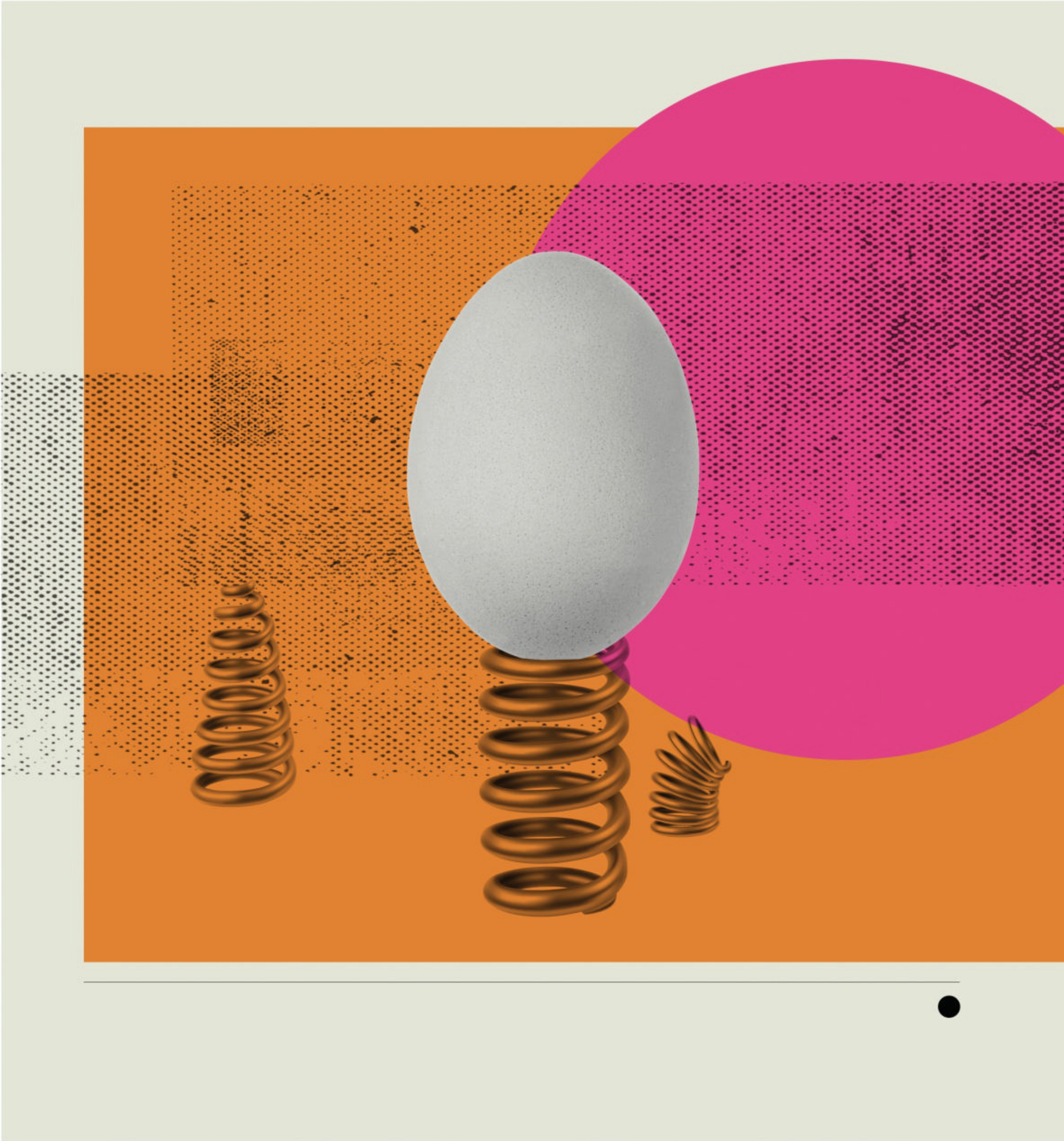
Even though your manager is asking about the past, it's your turn to take that breath and ask yourself what outcome you want. Then,

your best move is to ignore the question asked and, instead, answer the question that wasn't asked: the future-focused one. "What was I thinking?" you could say. "Clearly, not the right things. But here's what I would do differently next time..."

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Building Resilience

What business can learn from a pioneering army program for fostering post-traumatic growth

→ by MARTIN E.P. SELIGMAN

DOUGLAS AND WALTER, two University of Pennsylvania MBA graduates, were laid off by their Wall Street companies 18 months ago. Both went into a tailspin: They were sad, listless, indecisive, and anxious about the future. For Douglas, the mood was transient. After two weeks he told himself, “It’s not you; it’s the economy going through a bad patch. I’m good at what I do, and there will be a market for my skills.” He updated his résumé and sent it to a dozen New York firms, all of which rejected him. He then tried six companies in his Ohio hometown and eventually landed a position. Walter, by contrast, spiraled into hopelessness: “I got fired because I can’t perform under pressure,” he thought. “I’m not cut out for finance. The economy will take years to recover.” Even as



the market improved, he didn't look for another job; he ended up moving back in with his parents.

Douglas and Walter (actually composites based on interviewees) stand at opposite ends of the continuum of reactions to failure. The Douglasses of the world bounce back after a brief period of malaise; within a year they've grown because of the experience. The Walters go from sadness to depression to a paralyzing fear of the future. Yet failure is a nearly inevitable part of work; and along with dashed romance, it is one of life's most common traumas. People like Walter are almost certain to find their careers stymied, and companies full of such employees are doomed in hard times. It is people like Douglas who rise to the top, and whom organizations must recruit and retain in order to succeed. But how can you tell who is a Walter and who is a Douglas? And can Walters become Douglasses? Can resilience be measured and taught?

Thirty years of scientific research has put the answers to these questions within our reach. We have learned not only how to distinguish those who will grow after failure from those who will collapse, but also how to build the skills of people in the latter category. I have worked with colleagues from around the world to develop a program for teaching resilience. It is now being tested in an organization of 1.1 million people where trauma is more common and more severe than in any corporate setting; the U.S. Army. Its members may struggle with depression and post-traumatic stress disorder (PTSD), but thousands of them also experience post-traumatic growth. Our goal is to employ resilience

training to reduce the number of those who struggle and increase the number of those who grow. We believe that businesspeople can draw lessons from this approach, particularly in times of failure and stagnation. Working with both individual soldiers (employees) and drill sergeants (managers), we are helping to create an army of Douglasses who can turn their most difficult experiences into catalysts for improved performance.

Optimism Is the Key

Although I'm now called the father of positive psychology, I came to it the long, hard way, through many years of research on failure and helplessness. In the late 1960s I was part of the team that discovered "learned helplessness." We found that dogs, rats, mice, and even cockroaches that experienced mildly painful shock over which they had no control would eventually just accept it, with no attempt to escape. It was next shown that human beings do the same thing. In an experiment published in 1975 by Donald Hiroto and me and replicated many times since, subjects are randomly divided into three groups. Those in the first are exposed to an annoying loud noise that they can stop by pushing a button in front of them. Those in the second hear the same noise but can't turn it off, though they try hard. Those in the third, the control group, hear nothing at all. Later, typically the following day, the subjects are faced with a brand-new situation that again involves noise. To turn the noise off, all they have to do is move their hands about 12 inches. The people

in the first and third groups figure this out and readily learn to avoid the noise. But those in the second group typically do nothing. In phase one they failed, realized they had no control, and became passive. In phase two, expecting more failure, they don't even try to escape. They have learned helplessness.

Strangely, however, about a third of the animals and people who experience inescapable shocks or noise never become helpless. What is it about them that makes this so? Over 15 years of study, my colleagues and I discovered that the answer is optimism. We developed questionnaires and analyzed the content of verbatim speech and writing to assess "explanatory style" as optimistic or pessimistic. We discovered that people who don't give up have a habit of interpreting setbacks as temporary, local, and changeable. ("It's going away quickly; it's just this one situation, and I can do something about it.") That suggested how we might immunize people against learned helplessness, against depression and anxiety, and against giving up after failure: by teaching them to think like optimists. We created the Penn Resiliency Program, under the direction of Karen Reivich and Jane Gillham, of the University of Pennsylvania, for young adults and children. The program has been replicated in 21 diverse school settings—ranging from suburbs to inner cities, from Philadelphia to Beijing. We also created a 10-day program in which teachers learn techniques for becoming more optimistic in their own lives and how to teach those techniques to their students. We've found that it reduces depression and anxiety in the children

■ The response to trauma includes shattered beliefs about the self, others, and the future.

under their care. (Another way we teach positive psychology is through the master of applied positive psychology, or MAPP, degree program, now in its sixth year at Penn.)

In November 2008, when the legendary General George W. Casey, Jr., the army chief of staff and former commander of the multinational force in Iraq, asked me what positive psychology had to say about soldiers' problems, I offered a simple answer: How human beings react to extreme adversity is normally distributed. On one end are the people who fall apart into PTSD, depression, and even suicide. In the middle are most people, who at first react with symptoms of depression and anxiety but within a month or so are, by physical and psychological measures, back where they were before the trauma. That is resilience. On the other end are people who show post-traumatic growth. They, too, first experience depression and anxiety, often exhibiting full-blown PTSD, but within a year they are better off than they were before the trauma. These are the people of whom Friedrich Nietzsche said, "That which does not kill us makes us stronger."

I told General Casey that the army could shift its distribution toward the growth end by teaching psychological skills to stop the downward spiral that often follows failure. He ordered the organization to measure resilience and teach positive psychology to create a force as fit psychologically as it is physically. This \$145 million initiative, under the direction of Brigadier General Rhonda Cornum, is called Comprehensive Soldier Fitness (CSF) and consists of three components: a test for psy-

chological fitness, self-improvement courses available following the test, and "master resilience training" (MRT) for drill sergeants. These are based on PERMA: positive emotion, engagement, relationships, meaning, and accomplishment—the building blocks of resilience and growth.

Testing for Psychological Fitness

A team led by the University of Michigan professor Christopher Peterson, author of the Values in Action signature strengths survey, created the test, called the Global Assessment Tool (GAT). It is a 20-minute questionnaire that focuses on strengths rather than weaknesses and is designed to measure four things: emotional, family, social, and spiritual fitness. All four have been credited with reducing depression and anxiety. According to research, they are the keys to PERMA.

Although individual scores are confidential, the GAT results allow test takers to choose appropriate basic or advanced courses for building resilience. The GAT also provides a common vocabulary for describing soldiers' assets. The data generated will allow the army to gauge the psychosocial fitness both of particular units and of the entire organization, highlighting positives and negatives. At this writing, more than 900,000 soldiers have taken the test. The army will compare psychological profiles with performance and medical results over time; the resulting database will enable us to answer questions like these: What specific strengths protect against PTSD, depression, anxiety, and suicide? Does



Idea in Brief

Failure is one of life's most common traumas, yet people's responses to it vary widely. Some bounce back after a brief period of malaise; others descend into depression and a paralyzing fear of the future.

Thirty years of research suggests that resilience can be measured and taught—and the U.S. Army is putting that idea to the test with a program called Comprehensive Soldier Fitness. The aim of CSF is to make soldiers as fit psychologically as they are physically.

A key component of CSF is "master resilience training" for drill sergeants—a form of management training that teaches leaders how to embrace resilience and then pass it on, by building mental toughness, signature strengths, and strong relationships.



a strong sense of meaning result in better performance? Are people who score high in positive emotion promoted more quickly? Can optimism spread from a leader to his troops?

Online Courses

The second component of CSF is optional online courses in each of the four fitnesses and one mandatory course on post-traumatic growth. The implications for corporate managers are more obvious for some modules than for others, but I'll briefly explain them all.

The emotional fitness module, created by Barbara Fredrickson, a professor of emotions and psychophysiology at the University of North Carolina, and her colleague Sara Algoe, teaches soldiers how to amplify positive emotions and how to recognize when negative ones, such as sadness and anger, are out of proportion to the reality of the threat they face.

Family fitness, too, affects work performance, and cell phones, email, Facebook, and Skype allow even soldiers on combat duty, or expats on assignment, to remain intimately involved with their families. A course created by John and Julie Gottman, eminent psychologists specializing in marriage, focuses on building a variety of relationship skills—including fostering trust, constructively managing conflict, creating shared meaning, and recovering from betrayal.

The social fitness module, developed by John Cacioppo, a professor of psychology at the University of Chicago and an expert on loneliness, teaches empathy to soldiers by explaining mir-

ror neurons in the brain. When you see another person in pain, your brain activity is similar but not identical to what it is when you yourself are in pain. The module then asks soldiers to practice identifying emotions in others, with an emphasis on racial and cultural diversity. This is at the heart of developing emotional intelligence—and diversity in the U.S. Army is a way of life, not just a political slogan.

The spiritual fitness module, created by Kenneth Pargament, a professor of psychology at Bowling Green State University, and Colonel Patrick Sweeney, a professor of behavioral sciences and leadership at West Point, takes soldiers through the process of building a “spiritual core” with self-awareness, a sense of agency, self-regulation, self-motivation, and social awareness. “Spiritual” in CSF refers not to religion but to belonging to and serving something larger than the self.

The mandatory module, on post-traumatic growth, is highly relevant for business executives facing failure. Created by Richard Tedeschi, a professor of psychology at the University of North Carolina at Charlotte, and the Harvard psychologist Richard McNally, it begins with the ancient wisdom that personal transformation comes from a renewed appreciation of being alive, enhanced personal strength, acting on new possibilities, improved relationships, or spiritual deepening. The module interactively teaches soldiers about five elements known to contribute to post-traumatic growth:

1. Understanding the response to trauma (read “failure”), which includes

shattered beliefs about the self, others, and the future. This is a normal response, not a symptom of PTSD or a character defect.

2. Reducing anxiety through techniques for controlling intrusive thoughts and images.

3. Engaging in constructive self-disclosure. Bottling up trauma can lead to a worsening of physical and psychological symptoms, so soldiers are encouraged to tell their stories.

4. Creating a narrative in which the trauma is seen as a fork in the road that enhances the appreciation of paradox—loss and gain, grief and gratitude, vulnerability and strength. A manager might compare this to what the leadership studies pioneer Warren Bennis called “crucibles of leadership.” The narrative specifies what personal strengths were called upon, how some relationships improved, how spiritual life strengthened, how life itself was better appreciated, or what new doors opened.

5. Articulating life principles. These encompass new ways to be altruistic, crafting a new identity, and taking seriously the idea of the Greek hero who returns from Hades to tell the world an important truth about how to live.

Master Resilience Training

The third and most important component of Comprehensive Soldier Fitness is the master resilience training for drill sergeants and other leaders, given at

■ Enhancing mental toughness, highlighting and honing strengths, and fostering strong relationships are core competencies for any successful manager.

the University of Pennsylvania; at Fort Jackson's Victory University in Columbia, South Carolina; and by mobile teams working with troops in Germany and Korea. MRT can be seen as management training—teaching leaders how to embrace resilience and then pass on the knowledge. The content of MRT divides into three parts—building mental toughness, building signature strengths, and building strong relationships. All three are patterned after the Penn Resiliency Program and use plenary lectures, breakout sessions that include role playing, work sheets, and small-group discussion.

Building mental toughness. This segment of MRT is similar in theme to the online emotional fitness course for individual soldiers. It starts with Albert Ellis's ABCD model: C (emotional consequences) stem not directly from A (adversity) but from B (one's beliefs about adversity). The sergeants work through a series of A's (falling out of a three-mile run, for example) and learn to separate B's—heat-of-the-moment thoughts about the situation ("I'm a failure")—from C's, the emotions generated by those thoughts (such as feeling down for the rest of the day and thus performing poorly in the next training exercise). They then learn D—how to quickly and effectively dispel unrealistic beliefs about adversity.

Next we focus on thinking traps, such as overgeneralizing or judging a person's worth or ability on the basis of a single action. We illustrate this as follows: "A soldier in your unit struggles to keep up during physical training and is dragging the rest of the day. His uniform looks sloppy, and he makes

a couple of mistakes during artillery practice. It might be natural to think that he lacks the stuff of a soldier. But what effect does that have on both the thinker and the other soldier?" We also discuss "icebergs"—deeply held beliefs such as "Asking for help is a sign of weakness"—and teach a technique for identifying and eliminating those that cause out-of-kilter emotional reactions: Does the iceberg remain meaningful? Is it accurate in the given situation? Is it overly rigid? Is it useful?

Finally, we deal with how to minimize catastrophic thinking by considering worst-case, best-case, and most likely outcomes. For example, a sergeant receives a negative performance evaluation from his commanding officer. He thinks, "I won't be recommended for promotion, and I don't have what it takes to stay in the army." That's the worst case. Now let's put it in perspective. What's the best case? "The negative report was a mistake." And what's the most likely case? "I will receive a corrective action plan from my counselor, and I will follow it. I'll be frustrated, and my squad leader will be disappointed."

Building signature strengths. The second part of the training begins with a test similar to the GAT—Peterson's Values in Action signature strengths survey, which is taken online and produces a ranked list of the test taker's top 24 character strengths. (See the sidebar "What Are Your Strengths?") Small groups discuss these questions: What did you learn about yourself from the survey? Which strengths have you developed through your military service? How do your strengths contribute to

What Are Your Strengths?

The Values in Action signature strengths survey measures 24 positive character traits, among them curiosity, creativity, bravery, persistence, integrity, fairness, leadership, and self-regulation. Participants rank statements on a scale from "very much like me" to "very much unlike me" to determine the areas in which they shine. Here is a sampling:

I find the world a very interesting place.

I always identify the reasons for my actions.

I never quit a task before it is done.

Being able to come up with new and different ideas is one of my strong points.

I have taken frequent stands in the face of strong opposition.

I am always willing to take risks to establish a relationship.

I always admit when I am wrong.

In a group, I try to make sure everyone feels included.

I always look on the bright side.

I want to fully participate in life, not just view it from the sidelines.

You can take the survey free at authentichappiness.org.

your completing a mission and reaching your goals? What are the shadow sides of your strengths, and how can you minimize them? Then the sergeants are put on teams and told to tackle a mission using the team members' character-strength profiles. Finally, the sergeants write their own "strengths in challenges" stories. One sergeant



Four Ways to Respond

In master resilience training we explain and demonstrate the four styles of responding: *active constructive* (authentic, enthusiastic support), *passive constructive* (laconic support), *passive destructive* (ignoring the event), and *active destructive* (pointing out negative aspects of the event). Here's an example:

Private Johnson tells Private Gonzales,
“Hey, I just got a promotion.”

Active constructive

“That’s great. What are your new duties? When do you start? What did the captain say about why you deserved it?”

Passive constructive

“That’s nice.”

Passive destructive

“I got a funny email from my son. Listen to this...”

Active destructive

“You know there’s no extra pay, and it will eat up a lot of your R&R time.”

described how he used his strengths of love, wisdom, and gratitude to help a soldier who was acting out and stirring up conflict. The sergeant discovered that the soldier felt consumed by anger at his wife, and the anger spilled over to his unit. The sergeant used his wisdom to help the soldier understand the wife’s perspective and worked with him to write a letter in which the soldier described the gratitude he felt because his wife had handled so much on her own during his three deployments.

Building strong relationships. The third part of MRT focuses on practical tools for positive communication. We

draw on the work of Shelly Gable, a psychology professor at UC Santa Barbara, that shows that when an individual responds actively and constructively (as opposed to passively and destructively) to someone who is sharing a positive experience, love and friendship increase. (See the sidebar “Four Ways to Respond.”) The sergeants complete a work sheet about how they typically respond and identify factors that may get in the way of active and constructive responses (such as being tired or overly focused on themselves). Next we teach the work of the Stanford psychology professor Carol Dweck on effective praise. When, for example, a sergeant mentions specifics (as opposed to saying something general like “Good job!”), his soldiers know that their leader was paying attention and that the praise is authentic. We also teach assertive communication, distinguishing it from passive or aggressive communication. What is the language, voice tone, body language, and pace of each of the three styles, and what messages do they convey?

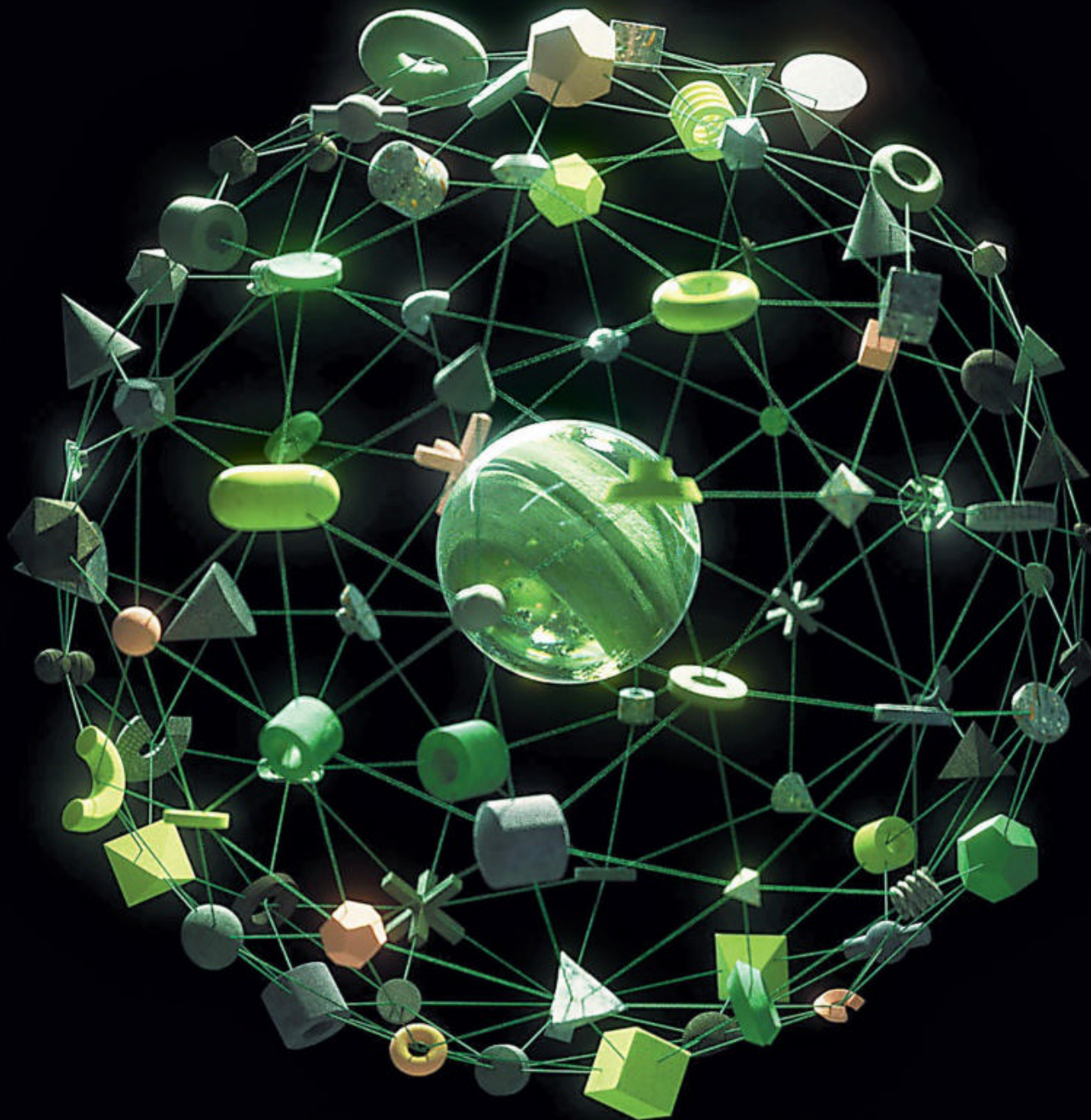
Enhancing mental toughness, highlighting and honing strengths, and fostering strong relationships are core competencies for any successful manager. Leadership development programs often touch on these skills, but the MRT program brings them together in systematic form to ensure that even in the face of terrible failures—those that cost lives—army sergeants know how to help the men and women under their command flourish rather than flounder. Managers can change the culture of their organizations to focus on the positive instead of the negative and, in doing so, turn pessimistic,

helpless Walters into optimistic, can-do Douglasses. Frankly, we were nervous that these hard-boiled soldiers would find resilience training “girly” or “touchy-feely” or “psychobabble.” They did not; in fact, they gave the course an average rating of 4.9 out of 5.0. A large number of them say it’s the best course they’ve ever had in the army.

We believe that MRT will build a better army. Our hypothesis is being tested in a large-scale study under the command of Lieutenant Colonel Sharon McBride and Captain Paul Lester. As the program rolls out, they are comparing the performance of soldiers who have been taught resilience by their sergeants with that of soldiers who haven’t. When they are finished, we will know conclusively whether resilience training and positive psychology can make adults in a large organization more effective, as they have done for younger people in schools. ©

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OVERCOMING YOUR OWN FAILURES

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Can You Handle Failure?

Inappropriate responses to failure can derail your career. Figure out what “type” you are and use these strategies to change your bad habits.

→ by BEN DATNER and ROBERT HOGAN

IN HIS BRILLIANT 1950 film, *Rashomon*, the Japanese director Akira Kurosawa depicts the story of a rape and murder four times, from the perspectives of four characters. The message is clear: Different people can see the same events in dramatically different ways.

In the workplace this phenomenon is particularly evident when it comes to underperformance and failure. An outcome that an employee regards as satisfactory may be seen by his boss as entirely unacceptable. When a project is an unequivocal flop, colleagues disagree over the reasons why. These reactions, and their effect on workplace relationships, often become more problematic than the original event. As a result, how people respond to negative feedback is of great importance to managers and organizations and is a major determinant of career success.

Consider the case of a pharmaceutical company seeking FDA approval for a new use of an existing drug. (Some details







OVERCOMING YOUR OWN FAILURES CAN YOU HANDLE FAILURE?

have been changed to protect client confidentiality.) Wendy, a talented researcher, was put in charge of the large-scale data analysis required to file an application. She considered several approaches and recommended the one she thought best balanced the need for accuracy and comprehensiveness with the imperative to complete the work quickly and on budget. Her boss, George—the company’s head statistician—agreed with the plan, and together they presented it to the vice president of medical affairs, Don. Although Don would have liked a more thorough approach, he recognized that it would be more expensive, and he signed off on the recommendation.

After months of work the analysis failed to demonstrate the efficacy of the drug for the new use, and the application to the FDA had to be scrapped. Reactions varied. Don blamed the statistics department, and especially George, for recommending the approach it had taken. George did not think that he and his team were at fault, and he was angry with Don for allowing financial pressures to influence their choice in the first place. The two men struggled to work together. Wendy, meanwhile, felt she had personally fallen short and began having trouble focusing on her other assignments.

How could three people have such different views of the same situation?

A Matter of Type

Personality psychology provides a research-based behavioral science framework for identifying and analyzing how people respond to failure and

assign blame. Using data on several hundred thousand managers from every industry sector, we have identified 11 personality types likely to have dysfunctional reactions to failure. For example, there is the Skeptical type, who is very smart about people and office politics but overly sensitive to criticism and always on the lookout for betrayal; the Bold type, who thinks in grandiose terms, is frequently in error but never in doubt, and refuses to acknowledge his mistakes, which then snowball; and the Diligent type, who is hardworking and detail oriented, with very high standards for herself and others, but also a micromanaging control freak who infantilizes and alienates subordinates. These types represent roughly 70% of the U.S. population. (See the sidebar “Recognize Your Type,” on p. 85.)

The 11 types can be divided into the three broad categories proposed by the psychologist Saul Rosenzweig in the 1930s, which were based on a test that he had developed to assess anger and frustration. Some people are *extrapunitive*—prone to unfairly blaming others. Some are *impunitive*: They either deny that failure has occurred or deny their own role in it. And some are *intropunitive*, often judging themselves too harshly and imagining failures where none exist.

In our pharmaceutical example, Don, an Excitable type, exemplifies extrapunitive tendencies. He takes the statistics team to task instead of accepting any personal responsibility or attributing the failure to the drug itself. Extrapunitive responses are all too common in the business world. Seemingly every time executives testify

before Congress—whether it’s Tony Hayward, then BP’s CEO, disavowing blame for the oil spill, or Richard Fuld, then Lehman Brothers’ CEO, disavowing blame for the financial crisis—they point fingers at any organization except their own. Interestingly, long before they found themselves in the hot seat, both Hayward and Fuld were faulted for other instances of mismanaging blame. (HBR tried to reach Hayward and Fuld to give them the opportunity to respond but received no reply.)

The chief statistician, George, a Bold type, was impunitive, denying that he and his team had anything to do with the bad outcome. One well-known executive who has been accused of this sort of behavior is Carly Fiorina, a past CEO of Hewlett-Packard. Disgruntled former subordinates have described her as a self-promoting attention seeker who ignored integration challenges and day-to-day operations following HP’s 2002 merger with Compaq and took no responsibility when the combined company failed to live up to its potential. When the HP board suggested that she delegate greater authority to her team and more power to the heads of key business units, she refused and was subsequently dismissed. (When HBR contacted Fiorina’s chief of staff about this article, she declined to comment.)

Though less common than extrapunitive and impunitive personality types, people with intropunitive tendencies can also be problematic. The researcher Wendy, a Diligent type, exhibited this behavior by taking on excessive blame. This may have been due in part to her gender: Because of their socialization and other cultural influences,

■ ■ Because of their socialization and other cultural influences, women are more likely than men to be intro-punitive.

women are more likely than men to be intro-punitive.

The underlying theme of our research is that many managers perceive and react to failure inappropriately and therefore have trouble learning from it—leading to more failures down the road. Many of us have at some point assigned (or avoided) blame in a self-serving way, only to suffer negative fallout; on the flip side, we may take self-criticism too far, resulting in paralysis and stagnation. To foster and thrive in a productive work environment, we need to recognize and overcome these tendencies.

How to Change Your Stripes

Fortunately, managers at all levels of organizations, and at any stage of their careers, can fix their flawed responses to failure. Here are some key steps you should take:

Cultivate self-awareness. First, it's important to determine whether you fall into one of the three categories. Several personality tests can help you assess your interaction style. Although the Myers-Briggs Type Indicator is probably the best known, others have more empirical support. One well-established model we've found particularly helpful is the Big Five, which measures openness to experience, conscientiousness, extroversion, agreeableness, and neuroticism, along with subfactors of these dimensions. It does a good job of illuminating how you deal with failure in yourself and others. For example, you may find that you score high on the *achievement-striving* subfactor of the conscientiousness dimension,

indicating that you may become easily distressed if you don't meet ambitious goals. Or you might score high on the *anger* subfactor of neuroticism, suggesting a tendency to disproportionately fault others for minor errors and to exaggerate their gravity. (To assess yourself on the five dimensions and their subfactors, you can take the IPIP-NEO test, available free at personal.psu.edu/~j5j/IPIP/ipipneo120.htm.)

Another useful exercise is to reflect on challenging events or jobs in your career, considering how you handled them and what you could have done better. You might ask trusted colleagues, mentors, or coaches to evaluate your reactions to and explanations for failures. Pay close attention to the subtleties of how people respond to you in common workplace situations, and ask for formal or informal 360-degree feedback; you may be surprised at what you discover.

For example, one media industry CEO we've worked with, an *Excitable* type, saw no problem with his habit of forcefully and publicly pointing out subordinates' minor errors. During an executive-coaching process he learned that his employees perceived him as *extrapunitive*. He realized that they had a more hierarchical worldview than he did and that he had underestimated how criticism from him—the boss—might affect them. He also came to accept that small mistakes should be treated differently from big ones, and that feedback on them should be balanced with encouragement.

Self-awareness is also helpful for people in the other two categories. If you find that others often see failure where



Idea in Brief

THE PROBLEM

How people respond to negative feedback is essential to managerial and organizational success, yet roughly 70% of the U.S. population have personality types that are likely to promote dysfunctional reactions to failure.

THE BLAME GAME

The key to changing a flawed response to failure is first to cultivate self-awareness by determining if you fall into one of three broad categories based on assigning blame: *extrapunitive* (blaming others), *impunitive* (denying blame), and *intro-punitive* (blaming yourself). You also need to cultivate political awareness to understand what messages others are receiving from you. Finally, embrace new strategies, like listening and communicating, reflecting on the situation and the people, thinking before acting, and searching for a lesson.

FAILING TOWARD SUCCESS

Using this framework will not only clarify your own role and responsibilities but also help you understand the perceptions of others so that you can handle failure and blame in a balanced and strategic way, ultimately leading to growth and positive outcomes.

■ ■ When a failure has occurred, don't respond impulsively.
It's not always possible to right the wrong, but it's almost always
possible to make things worse.

you don't or if you have a hard time pinpointing times when you've failed, you might be impulsive (or at least risk coming across that way). At the other extreme, if you're constantly anxious about failing or if colleagues often reassure you that things aren't as bad as you think, you may be intro-punitive.

Although not everyone has the time, inclination, or resources to get the kind of coaching or counseling necessary to surface and address deep psychological issues with respect to failure and blame, everyone can undertake and benefit from this sort of reflection.

Cultivate political awareness.

Even if you've analyzed your behavior and think that you act appropriately with respect to blame, your colleagues might disagree. As the media industry CEO learned, you must know your audience and recognize that each situation is different. Behavior that was appropriate in the past might be perceived as extrapunitive, impunitive, or intro-punitive in a new role or company. Whereas self-awareness helps you understand what messages you're sending, political awareness helps you understand what messages others are receiving. It requires that you know how your organization defines, explains, assigns responsibility for, and attempts to remedy failure.

Take the case of a COO who had recently joined a health care nonprofit. As part of a large-scale change effort, he was asked to lead a task force that would identify inefficient processes and make recommendations for improvements. Other members of the executive team were assigned to lead other groups. Because he was very busy with

his day-to-day work, the COO and his task force fell behind. When the CEO held a meeting to discuss the various groups' progress and share their findings, the COO, a Reserved type, simply described his team's activities, making no mention of their missed deadlines and failure to deliver any results. This made the CEO angry; he perceived the COO's behavior as impunitive and felt that it set a bad example for the other task forces. Fortunately, the CEO was not a blaming type. After the meeting he privately told the COO that although falling behind schedule might have been unavoidable, he had to take responsibility for the delay. The COO realized that the nonprofit's culture was different from the cultures he'd experienced at other companies. In his previous jobs, leaders were expected to hide their shortcomings, not acknowledge them as a means of showing their commitment to improving. The COO had to learn how to criticize himself, appropriately and publicly, in order to succeed in his new job.

Political awareness involves finding the right way to approach failure within your specific organization, department, and role. An intro-punitive person might be effective at a small, highly collegial company but have to change his ways at a larger, more competitive one, where rivals might take advantage. An extrapunitive boss who only slightly softened her criticisms when independently running a sales department might have to tone them down further when co-leading a cross-divisional team.

Embrace new strategies. Once you're aware of your bad habits, you can move toward more-open, adaptive

responses. The strategies needed can work for any of the dysfunctional types. The first is to *listen and communicate*. It sounds obvious, but most of us forget to gather enough feedback or sufficiently explain our actions and intentions. Especially when it comes to credit and blame, never assume that you know what others are thinking or that they understand where you are coming from.

The second is to *reflect on both the situation and the people*. At the end of each project or performance cycle, think about things that might have pushed you or others into extrapunitive, impunitive, or intro-punitive reactions. How did you respond? How did your colleagues? Was everyone on the same page? If not, why? What effect did situational and interpersonal factors have on the outcome?

The third strategy is to *think before you act*. When a failure seems to have occurred, don't respond immediately or impulsively. It's not always possible to right the wrong, but it's almost always possible to make things worse by overreacting in a highly charged situation. If you become extrapunitive, others may become impunitive. If you become intro-punitive, others may pile on. Take the time to consider several possible interpretations of the event and to imagine various ways you might respond.

The fourth strategy is to *search for a lesson*. Mistakes happen. Sometimes a colleague or group of colleagues is at fault. Sometimes the responsibility lies with you. Sometimes no one is to blame. Look for nuance and context and then create and test hypotheses about why

Recognize Your Type

The 11 personalities below have dysfunctional reactions to blame. These types represent roughly 70% of the U.S. population.

Blames others Extrapunitive	Blames oneself Intropunitive	Denies blame Impunitive
EXCITABLE “Volatile guardian” • Overreacts to minor mistakes • Determines failure prematurely CAUTIOUS “Sensitive retiree” • Expects failure to occur • Is too defensive to learn from feedback SKEPTICAL “Wary watcher” • Believes he will be unfairly blamed • Sees only criticism in constructive advice LEISURELY “Rationalizing blamer” • Looks for and offers up excuses • Often blames whoever assigned the task	DILIGENT “Micromanager” • Criticizes himself for even minor errors • Is so concerned about failure that he may suffer “analysis paralysis” DUTIFUL “Martyr” • Accepts more blame than she deserves in order to preserve work relationships • Blames herself so harshly that others typically refrain from criticizing her	BOLD “Big person on campus” • Becomes angry or hurt when blamed • Ingratiates herself with her superiors in the hope of avoiding blame MISCHIEVOUS “High-wire walker” • Denies his role in failure; may deny that failure has even occurred • Distorts information to avoid blame RESERVED “Indifferent daydreamer” • Ignores potentially helpful feedback • Seems not to care about failure or blame

the failure happened, to prevent it from happening again.

When the talented chief technology officer of an internet company, a Skeptical type, discovered that his department’s high turnover rate was caused by what employees described as an extrapunitive leadership style, he resolved to use these strategies. Previously he would excoriate his team if projects ran late or did not achieve their goals, refusing to listen to any explanations. The problem, he now learned, wasn’t that his employees lacked competence; it was that they didn’t always understand his instructions and were afraid to request clarification. So his first step was to check in with them to make sure everyone knew what he wanted. If results were unsatisfactory nonetheless, his initial response was still to criticize—but now he also spent time analyzing how the people and the situation had contributed to what went wrong. He started taking “deep dives” into failed projects, assigning blame only after careful consideration. Because of this approach, staff members began to share more information with him, which helped everyone identify weaknesses and oversights that had affected results. They also grew more comfortable telling him about minor problems earlier, making the problems less likely to cascade. Morale and productivity improved, and turnover decreased.

Let’s look at how these strategies can benefit the other types. An executive who learns that he is coming across as impunitive, as the COO at the health care nonprofit did, can ask others for feedback about whether the quality, quantity, and timeliness of work



OVERCOMING YOUR OWN FAILURES CAN YOU HANDLE FAILURE?

products represent success, failure, or something in between. Someone with intro-punitive tendencies might make a list of all the situational factors that contributed to poor outcomes. Wendy eventually realized that she was hurting her career by taking too much responsibility for failure. So she started communicating more closely with her colleagues at the outset of a task to inoculate herself against worrying later on that she had acted without support. She pushed others to do their homework, share their opinions, and raise any objections; she also paid attention to subtle signals that she lacked consensus. The next time a drug trial she was involved in failed, she thought carefully about the reasons, soberly considered her role, and decided not to blame herself.

How to Influence Others

Just as important as understanding your own tendencies is recognizing when your bosses, peers, or subordinates might fit into the categories we've outlined. Having insight into their motivational biases and emotional reactions to failure can help you give them feedback in the right way and at the right time—feedback that increases their self-awareness and political awareness and ultimately helps them change their ways. Of course, sometimes dysfunctional people cannot be influenced; if this is the case with your boss, your best option may be to seek other career opportunities inside or outside your organization. However, people often conclude too quickly that their bosses can't change.

The chief of staff at an investment firm had an extrapunitive manager, a Cautious type, who was highly successful and widely respected in the industry but completely uninterested in personal improvement. Like the CTO described earlier, he gave little direction to his employees and then snapped at them when they failed to meet his deadlines or expectations. Although the chief of staff was not herself a victim of his outbursts, she sympathized with the junior executives who were. She identified one area of constant contention: questions about how to classify investments. The boss typically told staff members to “figure it out,” and the time they spent doing so often led to delays in their analyses. She came up with a solution (forming a committee to create guidelines, which would then go to the manager for approval) and waited for the right time—when he was in a good mood and not too busy—to present it. He agreed, the committee was appointed, and things went more smoothly. The chief of staff had helped her colleagues and protected her extrapunitive boss from himself.

It's also possible to constructively influence people who have impunitive and intro-punitive tendencies. Rather than criticizing his new COO publicly and making him defensive, the CEO at the health care nonprofit gave him supportive coaching. At the pharmaceutical company, George helped Wendy see the broader organizational context for the drug application's failure.

HANDLING FAILURE AND blame the right way is key to managerial success. We believe the taxonomy we've

presented will not only help you see your own role and responsibilities more clearly but also help you better understand the perceptions of others. And we hope this knowledge will enable you to approach failure with an open mind, react to it in a balanced and strategic way, and, most important, learn and help others learn from it. 

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How Boston Beer Taps into Greater Inclusivity



Ever since it rolled out its first barrel of Samuel Adams Boston Lager, The Boston Beer Company has brewed something bolder than complex recipes: a focus on an innovative culture of inclusion and representation.

In the mid-1980s, the demographics of the beer industry were homogeneous—much like the beer itself. But when he founded Boston Beer at that time, Jim Koch made it a priority to hire a workforce that reflected a forward-looking approach to building a company culture. Today, Boston Beer continues to prioritize its workforce's well-being and emotional safety as a tenet of collaboration.

“At any time, any of our coworkers can bring something up to each other, or to someone above them,” says Carissa Sweigart, Boston Beer's Leader for Diversity, Equity, and Inclusion (DEI). “We have a rule here: ‘Discuss the undiscussable.’”

In the beer sector, as in many sectors, DEI sometimes goes undiscussed. But Boston Beer's leadership sees that growth calls for leading with empathy by purposefully shifting a strategy of inclusivity from the periphery of its business to the core.

“This is not just a business case—this is a humanity case,” Sweigart says. “We decided we should do more than just talk about our goals, and get to understand the hard work it will take to accomplish significant and sustainable change.”

Early in the discovery phase, Boston Beer is learning which competencies it has internally and which external tools and expertise it needs to bring in to help build a DEI-oriented culture that will be true to its values of allyship, listening, and learning.

Trusaic, a regulatory compliance company, offers a comprehensive, always-on analytics suite that helps users measure diversity, inclusion, pay equity, hiring, performance, promotion, and retention—all in real time—so companies can take a proactive approach and keep up with compliance laws.

“We wanted to have a partner that supported ongoing monitoring of what we're trying to do here,” Sweigart says. “And Trusaic, hands-down, provided the best balance of both expertise and strategic point of view when it comes to pay equity.”

While still in the initial analysis phase, Trusaic has simplified Boston Beer's employment data—an extremely complex data set, due to the company's many unique roles—while also applying Trusaic's expertise to interpret the data and identify a pragmatic approach to close any workforce gaps over time.

Trusaic's dashboards will help Boston Beer interpret and share clear data among company leaders to strengthen pay equity, strategize how to elevate a range of backgrounds and viewpoints, and reflect its audience by tapping talent and ideas from outside the beer business.

Building a DEI strategy is a monumental undertaking that demands serious introspection and tough decisions. For Boston Beer, teaming up with Trusaic was the easy part.

“Coupled with the tools and even the timing, it was really a no-brainer for us,” Sweigart says. “We're still early on with DEI. And we have a partner that can shift with us as we continually reevaluate our process and support.”

Learn how Trusaic can partner with your organization on DEI and build your future.
trusaic.com/DEI







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Give Yourself a Break: The Power of Self-Compassion

→ by SERENA CHEN

WHEN PEOPLE EXPERIENCE a setback at work—whether it’s a bad sales quarter, being overlooked for a promotion, or an interpersonal conflict with a colleague—it’s common to respond in one of two ways. Either we become defensive and blame others, or we berate ourselves. Unfortunately, neither response is especially helpful. Shirking responsibility by getting defensive may alleviate the sting of failure, but it comes at the expense of learning. Self-flagellation, on the other hand, may

feel warranted in the moment, but it can lead to an inaccurately gloomy assessment of one’s potential, which undermines personal development.

What if instead we were to treat ourselves as we would a friend in a similar situation? More likely than not, we’d be kind, understanding, and encouraging. Directing that type of response internally, toward ourselves, is known as self-compassion, and it’s been the focus of a good deal of research in recent years. Psychologists are discovering



OVERCOMING YOUR OWN FAILURES

GIVE YOURSELF A BREAK: THE POWER OF SELF-COMPASSION

that self-compassion is a useful tool for enhancing performance in a variety of settings, from healthy aging to athletics. I and other researchers have begun focusing on how self-compassion also enhances professional growth.

For nonacademics, self-compassion is a less familiar concept than self-esteem or self-confidence. Although it's true that people who engage in self-compassion tend to have higher self-esteem, the two concepts are distinct. Self-esteem tends to involve evaluating oneself in comparison with others. Self-compassion, on the other hand, doesn't involve judging the self or others. Instead, it creates a sense of self-worth because it leads people to genuinely care about their own well-being and recovery after a setback.

People with high levels of self-compassion demonstrate three behaviors: First, they are kind rather than judgmental about their own failures and mistakes; second, they recognize that failures are a shared human experience; and third, they take a balanced approach to negative emotions when they stumble or fall short—they allow themselves to feel bad, but they don't let negative emotions take over.

Kristin Neff, a professor at the University of Texas, Austin, has developed a survey tool that assesses the three components of self-compassion. Researchers and practitioners have used the tool to shed light on what personality traits and behaviors are associated with self-compassion and have found, among other things, that people who score high typically have greater motivation to improve themselves and are more likely to report strong feelings of

authenticity—the sense of being true to the self. Both are important contributors to a successful career. The good news is that both of these traits can be cultivated and enhanced through self-compassion.

A Growth Mindset

Most organizations and people want to improve—and self-compassion is crucial for that. We tend to associate personal growth with determination, persistence, and hard work, but the process often starts with reflection. One of the key requirements for self-improvement is having a realistic assessment of where we stand—of our strengths and our limitations. Convincing ourselves that we are better than we are leads to complacency, and thinking we're worse than we are leads to defeatism. When people treat themselves with compassion, they are better able to arrive at realistic self-appraisals, which is the foundation for improvement. They are also more motivated to work on their weaknesses rather than think “What's the point?” and to summon the grit required to enhance skills and change bad habits.

My colleagues Juliana Breines (at the University of Rhode Island) and Jia Wei Zhang (at the University of Memphis) and I demonstrated this in a series of studies in which participants were nudged to treat themselves either with self-compassion or in a self-esteem-boosting manner. Then we assessed their desire for self-improvement. In one study, we asked participants to recall a time when they did something they felt was wrong and as a result experienced guilt, remorse, and regret.

The majority of participants' transgressions involved romantic infidelity, academic misconduct, dishonesty, betrayal of trust, or hurting someone they cared about. We then randomly assigned them to one of three conditions: self-compassion, self-esteem, or a control group. The self-compassion participants were asked to write a paragraph to themselves expressing kindness and understanding regarding the transgression. The self-esteem people were asked to write a paragraph describing their positive qualities. Participants in the control group were asked to write about a hobby they enjoyed. All participants then filled out a questionnaire assessing their desire to make amends and their commitment not to repeat the transgression in the future. We found that those who were encouraged to treat themselves with compassion reported being more motivated to make amends and to never repeat the transgression than participants who were encouraged to respond to the transgression in a self-esteem-boosting manner and those in the control group. In other research, we found that self-compassion increased the resolve of people who said they had been responsible for a romantic breakup to be better partners in future relationships, compared with participants in the other two conditions.

Self-compassion does more than help people recover from failure or setbacks. It also supports what Carol Dweck, a psychology professor at Stanford University, has called a “growth mindset.” Dweck has documented the benefits of adopting a growth rather than “fixed” approach to performance, whether it be in launching a success-

■ People who have a growth mindset view personality traits and abilities as malleable. They see the potential for growth and thus are more likely to try to improve.

ful start-up, parenting, or running a marathon. People with a fixed mindset see personality traits and abilities, including their own, as set in stone. They believe that who we are today is essentially who we'll be five years from now. People who have a growth mindset, in contrast, view personality traits and abilities as malleable. They see the potential for growth and thus are more likely to try to improve—to put in effort and practice and to stay positive and optimistic.

My research suggests that self-compassion triggers people to adopt a growth mindset. In one study I conducted with Juliana Breines, participants were asked to identify what they considered to be their biggest weakness—most involved social difficulties such as lack of confidence, anxiety, shyness, and insecurity in relationships—after which they were randomly assigned to one of three groups. Participants in the self-compassion group were asked to write a response to this prompt: “Imagine that you are talking to yourself about this weakness from a compassionate and understanding perspective. What would you say?” People in the self-esteem group were asked to write in response to: “Imagine that you are talking to yourself about this weakness from a perspective of validating your positive (rather than negative) qualities.” The final group was not asked to write anything.

Next, participants completed a set of measures about whether they felt content, sad, or upset and then were asked to spend five minutes describing whether they've ever done anything to

change their weakness and where they thought their weakness came from. Independent coders rated participants' responses based on the degree to which they conveyed a growth or a fixed mindset (“It's just inborn—there's nothing I can do” versus “With hard work I know I can change”). Participants in the self-compassion condition expressed significantly more thoughts associated with a growth mindset than participants in the other two conditions.

But what about actual behavior? How do we know that self-compassion—and the resulting growth mindset—will lead people to work harder to improve themselves? According to the scientific literature on fixed and growth mindsets, one of the most compelling signs that a person has a growth mindset is his or her willingness to keep trying to do better after receiving negative feedback. After all, if you believe your abilities are fixed, there's no point in making the effort. But if you view abilities as changeable, getting negative feedback shouldn't deter you in trying to improve.

We tested this reasoning in a study in which participants (all students at a highly ranked university) first took a very difficult vocabulary test and received feedback that they had performed poorly. The participants were then randomly assigned to two groups. The experimenter remarked to the first group—the self-compassion condition—“If you had difficulty with the test you just took, you're not alone. It's common for students to have difficulty with tests like this. If you feel bad about how you did, try not to be too hard on yourself.” To the other group of participants, the experimenter instead



Idea in Brief

THE PROBLEM

When we experience a setback, we tend to either become defensive and blame others, or berate ourselves. Neither response is helpful.

THE INSIGHT

Research shows that we should respond instead with self-compassion: Be kind to ourselves rather than judgmental, recognize that everyone makes mistakes, and avoid dwelling on the setback.

THE BENEFITS

Self-compassion helps us cultivate a growth mindset by encouraging the belief that improvement is possible and bolstering our desire to do better. It also helps us connect with a more authentic self.

■ Self-compassion has benefits beyond boosting employees' drive to improve. Over time, it can help people gravitate to roles that better fit their personality and values.

said: "If you had difficulty with the test you just took, try not to feel bad about yourself—you must be intelligent if you got into this university."

Afterward, all participants were told they had to take another vocabulary test. They were given a chance to study a list of words and definitions and were advised that they could review the words as long they wanted before taking the test. We found that participants who were nudged to treat their initial failure with compassion were more likely to adopt a growth mindset about their vocabulary abilities and put in more time studying than their counterparts in the self-esteem condition were. It seems that self-compassion paved the way for self-improvement by revving up their desire to do better, encouraging the belief that improvement is possible, and motivating them to work harder.

Being True to the Self

Self-compassion has benefits for the workplace beyond boosting employees' drive to improve. Over time, it can help people gravitate to roles that better fit their personality and values. Living in accord with one's true self—what psychologists term "authenticity"—results in increased motivation and drive (along with a host of other mental health benefits). Unfortunately, authenticity remains elusive for many in the workplace. People may feel stuck in jobs where they have to suppress their true self because of incongruent workplace norms around behavior, doubts about what they have to contribute, or fears about being judged negatively by colleagues and superiors. But self-

compassion can help people assess their professional and personal trajectories and make course corrections when and where necessary. A self-compassionate sales executive who misses a quarterly target, for example, not only will focus on how she can make her numbers next quarter but also will be more likely to take stock of whether she is in the right sort of job for her temperament and disposition.

In recent research spearheaded by Jia Wei Zhang, we discovered that self-compassion cultivates authenticity by minimizing negative thoughts and self-doubts. In an initial study, participants completed a short survey on a daily basis for one week. They were asked to rate their levels of self-compassion ("Today, I showed caring, understanding, and kindness toward myself") and authenticity ("Today, I felt authentic and genuine in my interactions with others") each day. We found that daily variations in levels of self-compassion were closely linked to variations in feelings of authenticity. On days when participants reported being more compassionate toward themselves relative to their average level, they also reported greater feelings of authenticity.

These correlational findings were strengthened by experimental evidence from another study in which we randomly assigned participants to respond to a personal weakness from a self-compassionate perspective, a self-esteem-boosting perspective, or neither. Immediately afterward, they completed questionnaires that measured how authentic they felt. Participants who were instructed to be self-compassionate about their weakness reported signifi-

cantly higher feelings of authenticity than participants in the other two conditions did.

What's happening here? Treating oneself with kindness, understanding, and without judgment alleviates fears about social disapproval, paving the way for authenticity. Optimism also seems to play a role. Having a positive outlook on life makes people more willing to take chances—such as revealing their true selves. In fact, research shows that optimistic people are more likely to reveal negative things about themselves—such as distressing experiences they've endured or difficult medical challenges they face. In effect, optimism increases people's inclination to be authentic, despite the potential risks involved. I believe that the relative emotional calm and the balanced perspective that come with being self-compassionate can help people approach difficult experiences with a positive attitude.

Turbocharged Leadership

A self-compassionate mindset produces benefits that spread to others, too. This is especially the case for people in leadership roles. That's because self-compassion and compassion for others are linked: Practicing one boosts the other. Being kind and nonjudgmental toward the self is good practice for treating others compassionately, just as compassion for others can increase how compassionate people are toward themselves, creating an upward cycle of compassion—and an antidote to "incivility spirals" that too often plague work environments.



The fact that self-compassion encourages a growth mindset is also relevant here. Research shows that when leaders adopt a growth mindset (that is, believe that change is possible), they're more likely to pay attention to changes in subordinates' performance and to give useful feedback on how to improve. Subordinates, in turn, can discern when their leaders have growth mindsets, which makes them more motivated and satisfied, not to mention more likely to adopt growth mindsets themselves. The old adage "lead by example" applies to self-compassion and the growth mindset it encourages.

A similar link between leader and subordinates exists for authenticity, too. People can sense authenticity in others, and when leaders are seen as being true to themselves, it creates an atmosphere of authenticity throughout the workplace. There's also substantial evidence that stronger relationships are forged when people feel authentic in their interactions with others.

When leaders respond to failures and setbacks with a self-compassionate attitude, they themselves benefit, being more likely to exhibit psychological and behavioral tendencies that bode well for their own professional development and success. And the benefits can trickle down to subordinates, making the practice of self-compassion a win-win for leaders and those they lead.

Fostering Self-Compassion

Fostering self-compassion is not complicated or difficult. It's a skill that can be learned and enhanced. For the analytically minded, I suggest

using psychologists' definition of self-compassion as a three-point checklist: Am I being kind and understanding to myself? Do I acknowledge shortcomings and failure as experiences shared by everyone? Am I keeping my negative feelings in perspective? If this doesn't work, a simple "trick" can also help: Sit down and write yourself a letter in the third person, as if you were a friend or loved one. Many of us are better at being a good friend to other people than to ourselves, so this can help avoid spirals of defensiveness or self-flagellation.

The business community at large has done a good job of removing the stigma around failure in recent years at the organizational level—it's a natural byproduct of experimentation and, ultimately, innovation. But too many of us are not harnessing the redemptive power of failure in our own work lives. As more and more industries are disrupted and people's work lives are thrown into upheaval, this skill will become more important.

If you're struggling to foster self-compassion in your professional and personal life, don't beat yourself up about it. With a little practice, you can do better. ☺

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OVERCOMING YOUR OWN FAILURES

Quick Takes



1. Why You Need to Fail

→ by PETER BREGMAN

“PETER, I’D LIKE you to stay for a minute after class.” Calvin teaches my favorite body-conditioning class at the gym.

“What’d I do?” I asked him.

“It’s what you didn’t do.”

“What didn’t I do?”

“Fail.”

“You kept me after class for not failing?”

“This,” he said while mimicking my casual weight-lifting style, using weights that were obviously too light, “is not going to get you anywhere. A muscle only grows if you work it till it fails. You need to use more challenging weights. You need to fail.”

Calvin’s onto something.

Every time I ask a roomful of executives to list the top five moments when their career took a leap forward—not just a step, but a leap—failure is always on the list. For some it was the loss of a job. For others it was a project gone bad. And for others still it was the failure of a larger system, like an economic downturn, that required them to step up.

Yet most of us spend a tremendous effort trying to avoid even the possibility of failure.

According to Dr. Carol Dweck, a professor at Stanford University, we have a mindset problem. Dweck has done

a tremendous amount of research to understand what makes someone give up in the face of adversity versus strive to overcome it.

It turns out the answer is deceptively simple: It’s all in your head.

If you believe that your talents are inborn or fixed, then you will try to avoid failure at all costs because failure is proof of your limitation. People with a fixed mindset like to solve the same problems over and over again. It reinforces their sense of competence.

Children with fixed mindsets would rather redo an easy jigsaw puzzle than try

a harder one. Students with fixed mindsets would rather not learn new languages. CEOs with fixed mindsets will surround themselves with people who agree with them. They feel smart when they get it right.

But if you believe your talent grows with persistence and effort, then you seek failure as an opportunity to improve. People with growth mindsets feel smart when they’re learning, not when they’re flawless.

Michael Jordan, arguably the world’s best basketball player, has a growth mindset. Most successful people do. In high school he was cut from the basketball team, but that obviously didn’t discourage him: “I’ve missed more than 9,000 shots in my career. I’ve lost almost 300 games. Twenty-six times I’ve been trusted to take the game-winning shot and missed. I’ve failed over and over and over again in my life. And that is why I succeed.”

If you have a growth mindset, then you use your failures to improve. If you have a fixed mindset, you may never fail, but neither do you learn or grow.

In business, we have to be discriminating about when we choose to challenge ourselves. In high-risk, high-leverage situations, it’s

JACOBS STOCK PHOTOGRAPHY LTD/GETTY IMAGES

■ You can change your success by changing your mindset.

better to stay within your current capability. In lower-risk situations, where the consequences of failure are fewer, better to push the envelope. The important point is to know that pushing the envelope, or failing, is how you learn and grow and succeed. It's your opportunity.

Here's the good news: You can change your success by changing your mindset. When Dweck trained children to view themselves as capable of growing their intelligence, they worked harder, more persistently, and with greater success on math problems they had previously abandoned as unsolvable.

A growth mindset is the secret to maximizing potential. Want to grow your staff? Give them tasks above their ability. They don't think they can do it? Tell them that you expect them to work at it for a while, struggle with it. That it will take more time than the tasks they're used to doing. That they'll make some mistakes along the way, but that you know they can do it.

Want to increase your own performance? Set high goals where you have a 50–70% chance of success. According to the late David McClelland, a psychologist and Harvard researcher, that's the sweet spot for high achievers.

Then, when you fail half the time, figure out what you should do differently and try again. That's practice. And according to recent studies, 10,000 hours of that kind of practice will make you an expert in anything—no matter where you start.

The next class I did with Calvin, I doubled the weight I was using. Yeah, that's right. Unfortunately, that gave me tendonitis in my elbow, which I'm nursing with rest and ice. Sometimes you can even fail when you're trying to fail.

Hey, I'm learning.

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2. To Build New Habits, Get Comfortable Failing

→ by SABINA NAWAZ

MOST OF US don't wake up in the new year resolving, "This will be my year of failure!" But perhaps we should.

If you want to succeed at new habits, you must first learn to succeed at failing. Sociologist Dr. Christine Carter says our success at adopting a new habit depends on our willingness to be bad

at it at first. And no matter how smart or skilled we are, new habits—at least any worth pursuing—are going to feel clunky at the outset. We are more likely to falter than achieve an instant state of flow. Because our minds automatically steer us away from that outcome, we need to learn to fail in small steps.

■ Dipping your toes into failing small opens up a path to lasting change.

Here are four strategies that many of my clients have successfully adopted for new resolve that won't dissolve in a few weeks but will instead evolve into lifelong strategies for success.

Immunize yourself against big letdowns. Entrepreneur Jia Jiang was celebrating the new acquisition of his business when the deal collapsed. He knew that surviving rejection is a necessary skill as an entrepreneur, but he hated feeling rejected. Jiang decided to build his immunity to rejection by designing a 100-day series of small experiments where he was very likely to hear “no.” These ranged from asking to play soccer in a stranger's backyard to asking if he could present the weather forecast while he was being interviewed on live TV.

You can immunize yourself against big letdowns by implementing experiments where you will fail in tiny ways. Don't like public speaking? Your voice wobbles and you stumble over your words, feeling more self-conscious by the moment? Make your experiments small. Record yourself speaking one sentence and then watch the video, or simply ask one question aloud in a meeting where you don't

have to speak up. By exposing ourselves in small doses to the strength we're trying to build, we are less likely to suffer serious consequences if we fail—and we might even triumph. With each step, we strengthen our immunity to the downsides of a new habit, increasing our chances of acing it in the future.

Make a commitment—before you chicken out. Our enthusiasm at setting big goals for ourselves is matched by our fear of failure down the road. We readily convince ourselves that today is the wrong day to get started—to write that strategy document or have a difficult conversation. But there's a window of opportunity between when we dream of our goal and before our self-protective reasons scream at us to retreat. Use this window to make a commitment to someone else. For example, you might tell your peer with whom you need to have a frank conversation, “I'd like to discuss our approach to design. Can we set up time next week?” Or compose an email that will accompany a daunting deliverable before even starting the project. That way, we create momentum to get out of our heads and make ourselves accountable to

someone else. Once the declaration is out of your head and received by (or scheduled with) someone else, it's much harder to retract.

Publicize what you've learned. As the saying goes, it's not how you fall that matters, but how you get up. Similarly, when you fail in small ways, identify what you've learned in the process. We tend to evade the limelight (maybe even take a sick day or two) when we haven't landed the perfect formula. Instead, amp up the advantages of learning to tamp down the shame of failure.

For example, one organization I work with has a “lessons learned” database. After each milestone, members of the team reflect on what they learned and create entries in this repository. Colleagues who work on the next project then review these insights before launching their work. Individually, you can reflect on your own learnings and share them with your team in a meeting or in writing—or simply have them handy to flip back to later on your own. In addition, start with more-tentative language as you test out new skills. Framing something as an experiment, beta, or draft places you in a learner mindset. It

makes perfection unnecessary and allows you to move faster and garner helpful feedback and buy-in along the way.

Keep a progress meter and allow yourself to stop. The best way to progress from couch to marathon is not by beating ourselves up each morning we miss a run. When we shame or blame ourselves, we undermine our motivation to continue. Instead, track runs over time, rather than assessing each day individually. By keeping a log of your efforts, over time you'll notice how far you've come. In addition, stop when you're at your peak—while you're doing well with your new habit and still enjoying it. To know you're stopping before your performance starts to decline, allot a time limit and don't exceed it, or take note of previous days and identify when your mood changes from excited to deflated. This way, you will eagerly anticipate the next session instead of battling the blahs of a B performance.

Our habits and mindset implore us to think big but keep us stuck, fearing we won't play big enough or well enough. Dipping your toes into failing small opens a path to lasting change.

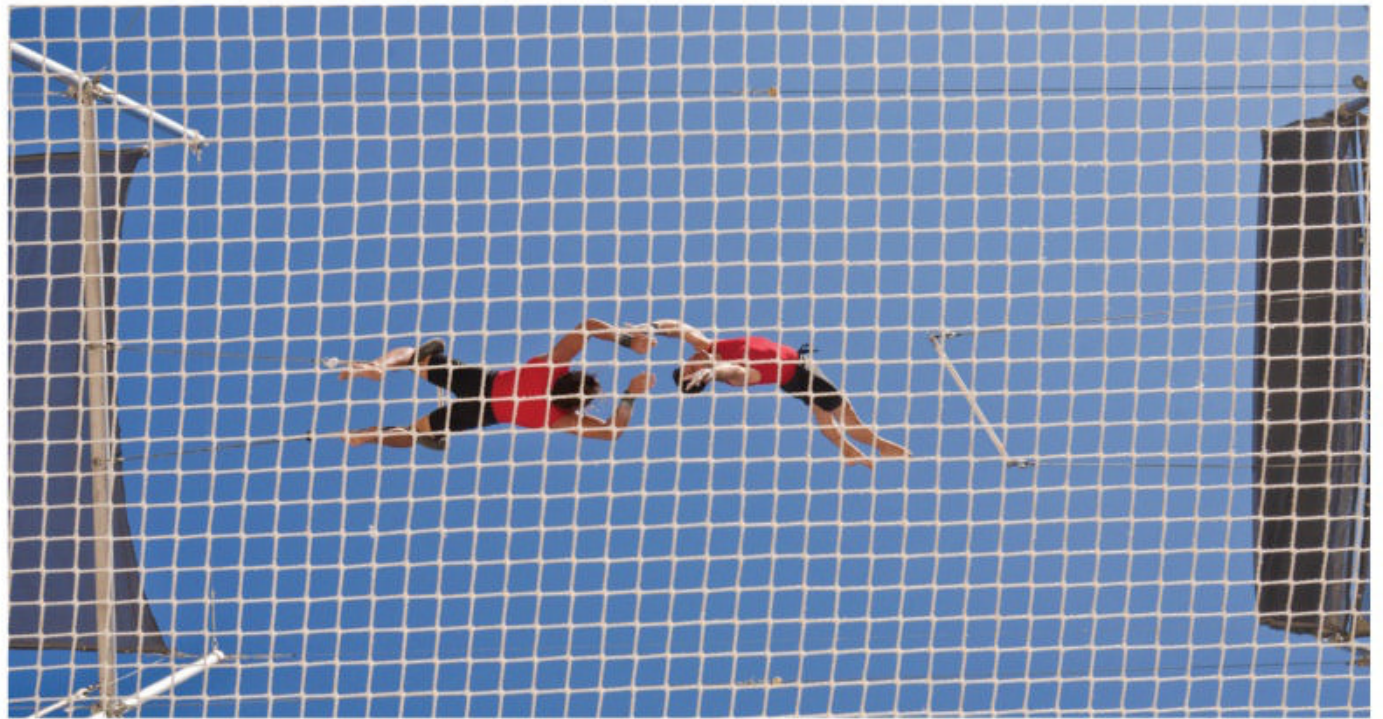


Switching habits is easier when the price isn't steep failure, and the reward is big success.

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DEFEND YOUR RESEARCH

3. Making a Backup Plan Undermines Performance

The study: Jihae Shin of Wisconsin School of Business and her coauthor, Katherine Milkman of Wharton, gave 160 university students a sentence-unscrambling task and promised an energy bar to those who performed it well. Before receiving the text to work on, half the participants were asked to think about different ways they could obtain free food on campus should they fail to earn the snack. People prompted to think about those backup plans unscrambled significantly fewer sentences, on average,

than people who hadn't been asked to formulate a plan B.

The challenge: When we think about what we'll do if we fail to achieve our goals, are we less likely to succeed? Can backup plans backfire?

Professor Shin, defend your research.

Shin: That was our hypothesis, and it proved true not only in this study but in follow-up experiments that took the same approach but offered people different rewards—saved time or an extra dollar in their pockets. We think

that when achieving a goal requires work, not luck, making a backup plan can hurt performance by reducing the desire for that goal. We saw this in our third study, in which we surveyed participants about how much they wanted the promised reward of \$1. Those who had been asked to think through backup plans reported that they wanted the cash less than others. They might not have been aware of this shift in their mindset while working, but they were less motivated, so they put in less effort, which hurt their results.

■ People who had thought through backup plans reported devoting less effort to the goal they were trying to achieve.

HBR: So they weren't just distracted? Or tired from too much thinking?

We did test to see whether cognitive fatigue could be causing the poor performance, but participants asked to brainstorm about other things before unscrambling the sentences did just fine. That confirms that cognitive fatigue wasn't driving our effects.

But aren't we taught the importance of not putting all our eggs in one basket?

There are certainly important benefits to making backup plans. One is the psychological comfort it brings: People think, "I'm going to be OK even if I fail, because I can then do X or Y." It reduces the perceived uncertainty of the situation. Another benefit is that if you fail, you don't have to dwell on it; you can quickly implement your backup plan. However, the costs of making backup plans haven't previously been examined, and we believe that acknowledging both costs and benefits can lead to better, more informed decision-making.

But the tasks in your experiments were pretty simple and the rewards were—no offense—sort of lame. Would you get the

same results if you studied people in high-stakes situations?

We would actually predict that the effect would be more significant, and when we conducted a separate survey, interviewing people from the general public about their real goals, we found correlational evidence supporting that hypothesis. Those who had thought through backup plans reported devoting less effort to the goals they were trying to achieve: getting a promotion, earning a graduate degree, or becoming a vet, for example. Also, the participants in our lab studies spent less than 10 minutes thinking about their backup plans—a tiny investment of their attention—yet it significantly affected their motivation and performance on goal pursuit. In real life, when the stakes are higher, we would expect people to devote more time and energy to mapping out detailed backup plans. And as that reduces effort over a sustained period, it could result in even more significant negative effects.

The idea for this research actually came from my own experience in the job market. As I was pursuing an academic faculty job, I had the option of thinking about a backup plan—pursuing an industry job—but I found

myself not wanting to, because I worried that it might make me less determined to achieve my primary goal.

So, to use another cliché, we need to always act as if failure is not an option?

The punch line of this research could certainly be this: If you prepare for failure, you may be more likely to fail. But the practical advice we would give is more nuanced than that. We're not suggesting that you always avoid making backup plans. But maybe you could hold off on doing so until you've put as much effort as possible into your primary goal. If you're a manager of a team working toward a certain objective, consider asking a second group, consisting of different people, to come up with the backup plan rather than your A team. If you're an entrepreneur, think about committing to one start-up idea for a period of time, instead of planning for and being ready to jump to another project as soon as things go south.

My aunt always told my cousin, an aspiring dancer, that she should get a teaching degree to fall back on. Was she wrong?

Success and performance depend on many factors. For

some people, not making a backup plan might indeed be beneficial in helping them put their best effort forward. Some parents assume that having a backup plan is always a good thing, yielding nothing but positive outcomes. Given our findings, we'd suggest that they at least consider the possible negative effects.

Aside from your job search, have these findings changed how you operate at work?

Yes, I now sometimes try to delay making a backup plan until after I've really done everything I can to accomplish my first goal. For example, when Katy and I were working on this research project, I didn't think about other projects we could do if this one failed.

I don't have another Q&A to run in September if this one turns out badly.

Good. That means you'll make sure it doesn't.

HBR Reprint F1609B

Originally published in Harvard Business Review, September 2016

Interview by Alison Beard



4. How to Overcome Your Fear of Failure

→ by SUSAN PEPPERCORN

A CLIENT (whom I'll call "Alex") asked me to help him prepare to interview for a CEO role with a start-up. It was the first time he had interviewed for the C-level, and when we met, he was visibly agitated. I asked what was wrong, and he explained that he felt "paralyzed" by his fear of failing at the high-stakes meeting.

Digging deeper, I discovered that Alex's concern

about the quality of his performance stemmed from a "setback" he had experienced and internalized while working at his previous company. As I listened to him describe the situation, it became clear that the failure was related to his company and outside industry factors rather than to any misstep on his part. Despite that fact, Alex could not shake the perception that he himself had not succeeded,

even though there was nothing he could have logically done to anticipate or change this outcome.

People are quick to blame themselves for failure, and companies hedge against it even if they pay lip service to the noble concept of trial and error. What can you do if you, like Alex, want to face your fear of screwing up and push beyond it to success? Here are four steps you can take:

Redefine failure. Behind many fears is worry about doing something wrong, looking foolish, or not meeting expectations—in other words, fear of failure. By framing a situation you're dreading differently before you attempt it, you may be able to avoid some stress and anxiety.

Let's go back to Alex as an example of how to execute this. As he thought about his interview, he realized that his initial bar for failing the task—"not being hired for the position"—was perhaps too high given that he'd never been a CEO and had never previously tried for that top job. Even if his interview went flawlessly, other factors might influence the hiring committee's decision, such as predetermined preferences on the part of board members.

In coaching Alex through this approach, I encouraged him to redefine how he would view his performance in the interview. Was there a way he might interpret it differently from the get-go and be more open to signs of success, even if they were small? Could he, for example, redefine failure as not being able to answer *any* of the questions posed or receiving specific negative feedback? Could he redefine

■ ■ By framing a situation you're dreading differently before you attempt it, you may be able to avoid some stress and anxiety.

success as being able to answer each question to the best of his ability and receiving no criticisms about how he interviewed?

As it turned out, Alex did advance to the second round and was complimented on his preparedness. Ultimately, he did not get the job. But because he had shifted his mindset and redefined what constituted failure and success, he was able to absorb the results of the experience more gracefully and with less angst than he had expected.

Set approach (not avoidance) goals. Goals can be classified as approach goals or avoidance goals on the basis of whether you are motivated by wanting to achieve a positive outcome or avoid an adverse one. Psychologists have found that creating approach goals, or positively reframing avoidance goals, is beneficial for well-being. When you're dreading a tough task and expect it to be difficult and unpleasant, you may unconsciously set goals around what you don't want to happen rather than what you do want.

Though Alex was nervous about the process, his desire to become a CEO was an approach goal because it focused on what he wanted to achieve in his career rather

than what he hoped to avoid. Although he didn't land the first CEO job he tried to get, he did not let that deter him from keeping that as his objective and getting back out there.

If Alex had instead become discouraged about the outcome of his first C-level interview and decided to actively avoid the pain of rejection by never vying for the top spot again, he would have shifted from approach to avoidance mode. While developing an avoidance goal is a common response to a perceived failure, it's important to keep in mind the costs of doing so. Research has shown that employees who take on an avoidance focus become twice as mentally fatigued as their approach-focused colleagues.

Create a "fear list." Author and investor Tim Ferriss recommends "fear setting," creating a checklist of what you are afraid to do and what you fear will happen if you do it. In his TED Talk on the subject, he shares how doing this enabled him to tackle some of his hardest challenges, resulting in some of his biggest successes.

I asked Alex to make three lists: (1) the worst-case scenarios if he bombed the interview; (2) things he could

do to prevent the failure; and (3) in the event the flop occurred, what he could do to repair it. Next, I asked him to write down the benefits of the attempted effort and the cost of inaction. This exercise helped him realize that although he was anxious, walking away from the opportunity would be more harmful to his career in the long run.

Focus on learning. The chips aren't always going to fall where you want them to, but if you understand that reality going in, you can be prepared to wring the most value out of the experience, no matter the outcome.

To return to Alex, he was able to recognize through the coaching process that being hyperfocused on his previous company's flop—and overestimating his role in it—caused him to panic about the CEO interview. When he shifted gears to focus not on his potential for failure but on what he would learn from competing at a higher level than he had before, he stopped sweating that first attempt and was able to see it as a stepping-stone on a longer journey to the CEO seat. With that mindset, he quickly pivoted away from his disappointment at not getting the offer to quickly

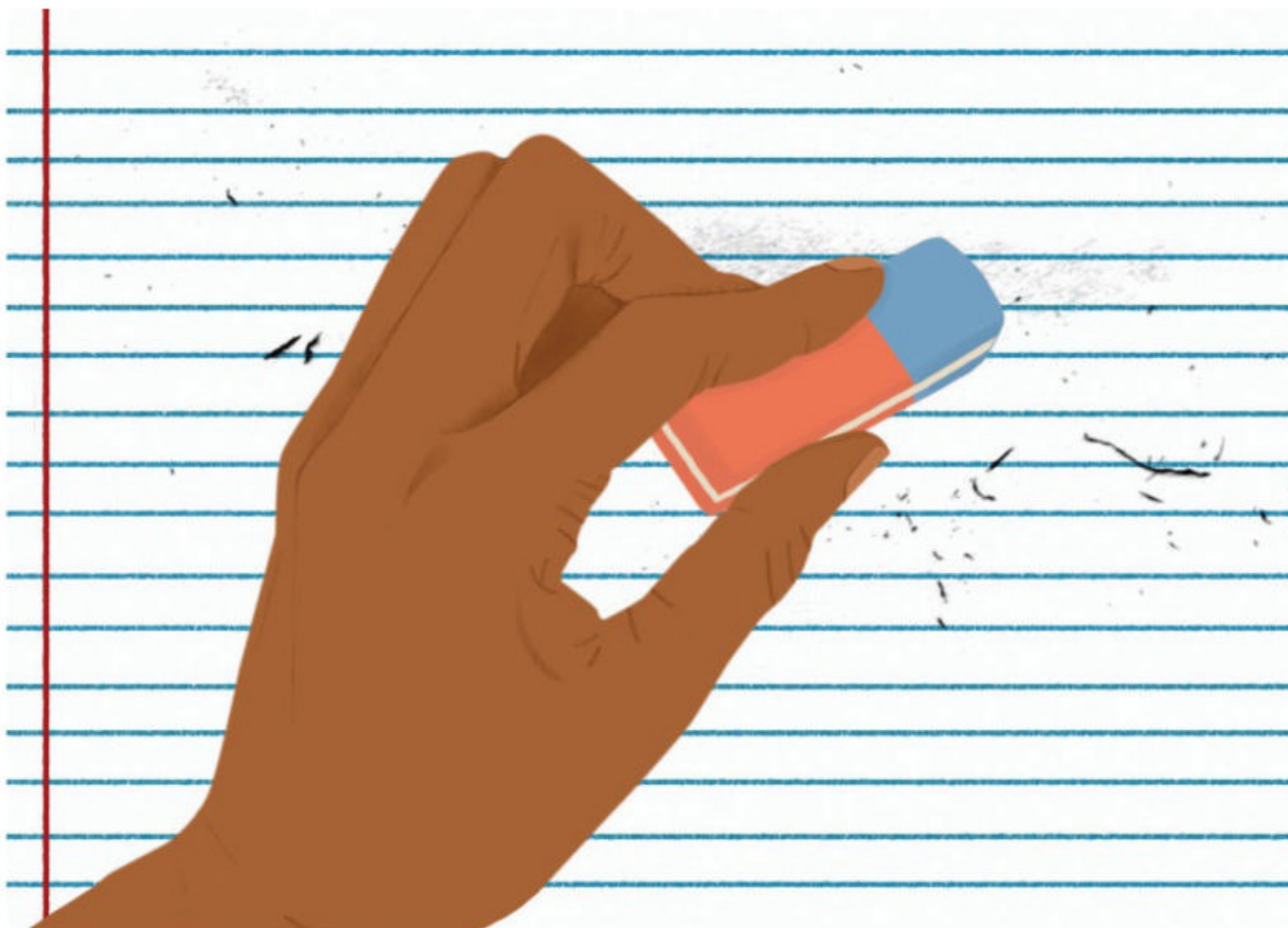
planning for the next opportunity to interview for a similar role at another company.

Remember: It's when you feel comfortable that you should be fearful, because it's a sign that you're not stepping far enough out of your comfort zone to take steps that will help you rise and thrive. By rethinking your fears using the four steps above, you can come to see apprehension as a teacher and guide to help you achieve your most important goals.

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Susan Peppercorn is an executive career transition coach and speaker. She is the author of *Ditch Your Inner Critic at Work: Evidence-Based Strategies to Thrive in Your Career (Positive Workplace Partners, 2018)*. Numerous publications including the *New York Times*, the *Wall Street Journal*, *Fast Company*, the *Boston Globe*, and *SELF Magazine* have tapped her for career advice. You can download her free *Career Fit Self-Assessment* and *25 Steps to a Successful Career Transition* at www.susanpeppercorn.com/resources.



5. How to Overcome Your Fear of Making Mistakes

→ by ALICE BOYES

THE COVID-19 CRISIS and its fallout—including a recession, layoffs, and uneven economic pain—as well as recent protests over police brutality and demands for racial justice have presented many of us with challenges that we’ve not encountered before. The high-stakes and unfamiliar nature of these situations have left many

people feeling fearful of missteps. No one can reduce mistakes to zero, but you can learn to harness your drive to prevent them and channel it into better decision-making. Use these tips to become a more effective worrier.

Don’t be afraid or ashamed of your fear. Our culture glorifies fearlessness.

The traditional image of a leader is one who is smart, tough, and unafraid. But fear, like any emotion, has an evolutionary purpose and upside. Your concern about making mistakes is there to remind you that you’re in a challenging situation. A cautious leader has value. This is especially true in times like these. So don’t get caught up

in ruminating: “I shouldn’t be so fearful.”

Don’t be ashamed or afraid of your fear of making mistakes, and don’t interpret it as evidence that you’re indecisive, or not bold or visionary. If you have a natural tendency to be prevention-focused, channel it to be bold and visionary! (If you struggle to believe this, identify leaders who have done just that by figuring out how to prevent disasters.)

Use emotional agility skills. Fear of mistakes can paralyze people. Emotional agility skills are an antidote to this paralysis. This process starts with labeling your thoughts and feelings, such as “I feel anxious I’m not going to be able to control my customers enough to keep my staff safe.” Stating your fears out loud helps diffuse them. It’s like turning the light on in a dark room. Next comes accepting reality. For example, “I understand that people will not always behave in ideal ways.” List off every truth you need to accept. Then comes acting your values. Let’s say one of your highest values is conscientiousness. How might that value apply in this situation? For example, it might involve making sure your employees all have masks that fit them

■ Worrying can help you make better decisions if you do it effectively.

well or feel comfortable airing any grievances they have. Identify your five most important values related to decision-making in a crisis. Then ask yourself how they are relevant to the important choices you face.

Repeat this process for each of your fears. It will help you tolerate the fact that we sometimes need to act when the best course of action isn't clear and avoid the common anxiety trap whereby people try to reduce uncertainty to zero.

Focus on your processes. Worrying can help you make better decisions if you do it effectively. Most people don't. When you worry, it should be solutions-focused, not just perseverating on the presence of a threat. Direct your worry toward behaviors that will realistically reduce the chances of failure.

We can control systems, not outcomes. What are your systems and processes for avoiding making mistakes? Direct your worries into answering questions like these: Is the data you're relying on reliable? What are the limitations of it? How do your systems help prevent group-think? What procedures do you have in place to help you see your blind spots? How do you ensure that you hear

valuable perspectives from underrepresented stakeholders? What are your processes for being alerted to a problem quickly and rectifying it if a decision has unexpected consequences?

Broaden your thinking.

When we're scared of making a mistake, our thinking can narrow around that particular scenario. Imagine you're out walking at night. You're worried about tripping, so you keep looking down at your feet. Next thing you know, you've walked into a lamp post. Or, imagine the person who is scared of flying. They drive everywhere, even though driving is objectively more dangerous. When you open the aperture, it can help you see your greatest fears in the broader context of all the other threats out there. This can help you get a better perspective on what you fear the most.

It might seem illogical that you could reduce your fear of making a mistake by thinking about other negative outcomes. But this strategy can help kick you into problem-solving mode and lessen the mental grip a particular fear has on you. A leader might be so highly focused on minimizing or optimizing for one particular thing that they don't realize

that other people care most about something else. Find out what other people's priorities are.

Recognize the value of leisure.

Fear grabs us. It makes it difficult to direct our attention away. This is how it is designed to work, so we don't ignore threats. Some people react to fear with extreme hypervigilance. They want to be on guard, at their command post, at all times. This might manifest as behavior like staying up all night to work.

That type of adrenaline-fueled behavior can have short-term value, but it can also be myopic. A different approach can be more useful for bigger-picture thinking. We need leisure (and sleep!) to step back, integrate the threads of our thinking, see blind spots, and think creatively. Get some silent time. Although much maligned, a game of golf might be exactly what you need to think about tough problems holistically.

Detach from judgment-clouding noise.

As mentioned, when people are fearful, they can go into always-on monitoring mode. You may have the urge to constantly look at what everyone else is doing, to always be on social media,

or to check data too frequently. This can result in information overload. Your mind can become so overwhelmed that you start to feel cloudy or shut down. Recognize if you're doing this, and limit overmonitoring or overchecking. Avoid panicked, frenzied behavior.

On its own, being afraid of making mistakes doesn't make you more or less likely to make good decisions. If you worry excessively in a way that focuses only on how bad the experience of stress and uncertainty feels, you might make do or say the wrong things. However, if you understand how anxiety works at a cognitive level, you can use it to motivate careful but bold and well-reasoned choices.

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Alice Boyes is a former clinical psychologist turned writer and is the author of *Stress-Free Productivity: A Personalized Toolkit to Become Your Most Efficient and Creative Self* (TarcherPerigee, 2022) and *The Anxiety Toolkit: Strategies for Fine-Tuning Your Mind and Moving Past Your Stuck Points* (TarcherPerigee, 2015).



6. Use Failure as an Opportunity to Reflect on Your Strengths

→ by SUSAN PEPPERCORN

IN A PRESENTATION to a group of executive job seekers in transition, a recruiter made the point that after years of reviewing C-level résumés, she had noticed a commonality: None of these top professionals had escaped having some setbacks, rejections, or missed opportunities. This information surprised the audience of recent layoff victims, who

realized that they were in good company when it came to career misfortune. The recruiter was right: Failures and regrets need not derail your career and, in fact, can propel it forward if handled wisely.

To find out how successful people dealt with situations when they didn't get what they wanted, I interviewed a range of accomplished

consultants, coaches, and other business professionals, asking them: "What rejection did you experience that turned out for the best?"

When thinking back on jobs they weren't offered or turned down, graduate schools that didn't admit them, or promotions that went to someone else, all respondents agreed that they were better off in the long

run. Although most were initially disappointed, gaining perspective over time helped them realize that those early frustrations afforded them the chance to try something different and to gain valuable insights.

One of my interviewees, self-reinvention thought leader Dorie Clark, explained that she was turned down by every doctoral program she applied to. "I ultimately discovered that the minutiae of what a dissertation demands would have killed me," Clark said.

Gina Warner, CEO of the National AfterSchool Association, told me: "I didn't pass my bar exam the first time, which meant I couldn't accept the position I'd been offered at the district attorney's office. But it did mean I could volunteer on a U.S. Senate campaign, and when that candidate won, I got hired to work for her, a much better opportunity for me."

Executive coach Nihar Chhaya was rejected by all the top consulting firms he interviewed with when he was an MBA student at Wharton. "I took it pretty hard," he admitted. "When you're in the most competitive school, where everyone is asking who got what, you don't want to graduate without a job after investing

■ ■ When you aren't chosen for an opportunity, the reason often is a problem with fit rather than something you did wrong.

all that work and money in a program you thought would make you set for the future.” But in time, Chhaya realized that he had actually dodged a bullet: “I hustled and absorbed everything I could in my position at the Corporate Executive Board, realized that coaching and leadership assessment was my passion, and moved to build a career there.”

These individual aha moments contain some universal truths that professionals at any level can benefit from. Here are three strategies for recovering and thriving when a career goal you once coveted slips away.

Acknowledge the emotional pain. “Rejection often triggers painful emotional doubts about our own competence and self-worth, so we either try to avoid it or pretend that it doesn’t matter,” writes consultant Ron Ashkenas in his HBR article “Rejection Is Critical for Success.” But it’s important not to dismiss how you are feeling. Being rejected hurts, and the physiological response it creates in our bodies and minds is akin to physical pain. The reason a negative reaction or rejection causes such strong emotions traces back to our primitive history, when having to leave

the tribe after a rebuttal might have resulted in physical danger or even death. If rejection didn’t hurt, our ancestors might have put themselves in harm’s way by storming off into the path of a wild animal or an armed enemy. When you recognize that the emotions you feel are both primal and normal, it can help you move past the ache faster.

Ask yourself, “Was it me, was it them, or was it us?”

When Chhaya was passed over as a consultant, his first response was to seek an explanation. Why did his classmates get hired and he didn’t? Was it something he did wrong or failed to do? Or was it that the interviewer couldn’t see his potential and the value he brought to the table? The reality is that when you aren’t chosen for an opportunity, the reason often is a problem with fit—such as a values mismatch between you and the other party—rather than something you (or someone else) did wrong.

Chhaya eventually realized that his real interest was coaching. “I don’t think I would be where I am today if I had gotten the acceptance back then, because it never would have made me want to push for my own passion

versus compete with what I think I ‘should’ have done relative to my classmates,” he said. There’s an added benefit to this shift in thinking: Recent studies confirm that when people attribute setbacks to lack of fit instead of blaming themselves or another person involved, they’re less likely to give up and more motivated to improve.

Embrace your strengths.

Following Dorie Clark’s rejection from PhD programs, she started writing and consulting, areas of strength and interest for her. Today she is the author of three best-selling books, writes for major publications, and has a thriving consulting business. Recognizing that a PhD wasn’t the only chance for success, Clark let go of her first dream in order to spot the next one so that she could maximize her talents without regret. If you look back for too long, rather than soldiering on in a direction where your talents can shine, you risk the possibility of neglecting fresh opportunities. Consider Gina Warner’s decision to volunteer for a U.S. Senate campaign instead of dwelling on not passing the bar exam. Making a conscious effort to look forward rather than back can lead to

personal growth and the discovery of creative options.

Being able to identify the silver lining in a perceived failure or missed opportunity can help you move on to bigger and better things—while maintaining your self-confidence in the process. As Wharton professor Adam Grant puts it: “We are more than the bullet points on our résumés. We are better than the sentences we string together into a word salad under the magnifying glass of an interview. No one is rejecting us. They are rejecting a sample of our work, sometimes only after seeing it through a foggy lens.”

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7. How to Bounce Back from Rejection

→ by RON CARUCCI

A MANAGING PARTNER

I consult with at a large professional services firm, let's call him Evan, was recently dealt a painful blow: A high seven-figure proposal he was certain his team landed got awarded to the competition.

Evan's career was a storied rise to stardom. An Ivy League graduate, he was intelligent, personable, and beloved by the firm. Consul-

ants clamored to be on his project teams. He'd had his fair share of setbacks, but by and large, things mostly went his way. When we met on the evening he learned of the decision, I was struck by how devastated he was. Though he'd lost other deals before, he'd clearly attached much deeper meaning to this loss. This wasn't disappointment—it was grief.

In my experience working with especially successful leaders, I've seen a paradox in their response to major rejection. They tend to overpersonalize it, sometimes debilitatingly so, then tenaciously redouble their efforts to rise above it. And in both of those extremes, I've watched leaders miss opportunities to grow and learn.

Vying for a major promotion or new job, selling big-ticket offerings, or pitching high-stakes ideas to your boss are all potential places for significant rejection. Here are some strategies to help you overcome the tendency to internalize it and effectively channel your herculean grit so that you can walk away with new insights about yourself and the future successes you'll pursue.

Understand the role of anticipation. Successful people are often conditioned to expect positive outcomes. They visualize great results, remain optimistic in the face of high odds, and are often rewarded for their never-say-die tenacity.

Evan's anticipation of winning the proposal was palpable, especially after the client signaled it was a likely outcome. He talked passionately about the impact the team would have and what

he anticipated it would mean for his career. And while most positive psychology urges us to visualize success, overanticipation can actually intensify the pain of rejection when things don't turn out as hoped.

When our brains anticipate a desired outcome, we can feel as though success has already happened. But this kind of anticipation can fuel false confidence, obscuring objectivity about how things are *actually* going. Evan's reflections on the five-month proposal process revealed signals he'd overlooked because he was so focused on the signals that matched his growing narrative of winning. Visualizing success is a helpful tool to inspire your team and stay focused on a goal. The key is to never allow your visualization to morph into *expectation*, or you could be setting yourself up for magnified pain if things don't work out as hoped.

Acknowledge the pain without falling victim to it.

When it comes to the pain of rejection, many successful people either bury it or overindulge it, neither of which is productive. The first thing to do with pain is to let yourself feel it. The heartache of rejection is a signal you are



grieving the loss of something you wanted badly. If you suppress the pain, it will only return in a potentially destructive form later, like excessive drinking or angry outbursts.

On the other extreme, overindulging pain often manifests as blame or entitlement. We find fault with the decision maker or those we relied on for help. We become snide or dismissive toward others' success, feeling as though we've been robbed. These victimized responses can cement us to our pain, making it more difficult to move on.

Acknowledging the pain means honestly naming what you are disappointed to have lost. This is especially effective when done in the company of a trusted ally who will listen quietly without needing to talk us out of our pain or "fix things." For Evan, closing an engagement this big was his stepping-stone to a global managing director role. Naming that loss honestly helped him accept there would be other opportunities to do so in the coming years. This rejection didn't end that dream; it just delayed it. Once you've addressed the emotional pain in a healthy way, you can turn your attention to

learning what you can from the experience.

Learn with humility. There are unquestionably important lessons you can glean from painful rejection that will apply to future efforts. With your emotions in check, you can more objectively see what part you played in a decision not going your way. When possible, solicit feedback from the decision maker about what you could have done better. People are often willing to be honest when the request to improve is sincere.

Because big-bet decisions are complex, Evan and his team did a thorough evaluation of their pitch process—the content and analytics, relationship building, presentation skills, and underlying assumptions about the client's need. They uncovered important missteps that contributed to losing the engagement. Though it was a costly lesson, they would now be able to sharpen their approach.

Successful people love having a "pace horse," a worthy rival to help motivate improvement. But after rejection, our comparisons become distorted, solidifying our bitterness, impairing learning, and making us unable to appreciate the

talents of others that we lack. The reflection process after rejection should focus on where you can improve, not how you could be better than someone else.

Find the courage to grow. Sometimes rejection reveals areas in which we've yet to mature. For example, if you are already predisposed to self-doubt or have a harsh inner critic that broadcasts your inadequacy, moments of rejection will inflame them. Use the opportunity to discover the origins of those voices.

In a follow-up conversation with Evan, we revisited some of his achievement narratives. Having grown up in a successful family with parents who prized top performance, Evan's drive for success was rooted in messages of never being good enough. In this case, that perfectionism got the best of him. Feedback from the client was telling. She said of Evan, "I love when consultants are hungry for our business. Evan's team has done great work for us before. But this time, his energy bordered on desperate. Along with other factors, that just didn't win our confidence."

The meaning Evan attached to winning this

engagement colluded with his narrative of "not good enough" and resulted in the client losing confidence in him. He ended up contributing to the very rejection he feared. He was able to recognize a pattern in his career when his desperation to win led to undesirable outcomes. Though painful, this moment served as a great wake-up call for Evan to tackle those demons once and for all.

Having managed the pain of rejection in a healthy way and gleaned whatever learning you can, there's one thing left to do.

Have the grace to let go of the rest. Moments of rejection are rife with factors outside our control. But in the midst of confusion and pain, we grasp for answers that just aren't there. The reasons behind a decision maker's choice not to hire us, award us a contract, or adopt our idea could be numerous, many of which had nothing to do with us. Once we've processed the emotional and practical realities of rejection, it's time to show ourselves kindness and grace. Having committed to the improvements we can legitimately make, we must forgive ourselves for our shortcomings, letting go

of any need to control what we can't. We must return to a place of gratitude for the talents and opportunities we have, and not wallow in the disappointment of those we don't.

Rejection is one of life's most painful experiences, especially if you are used to being successful. It doesn't have to be debilitating. Underneath rejection's disappointment, lessons and growth are awaiting us if we have the courage and humility to uncover them.

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8. You Made a Big Mistake at Work. What Should You Do?

→ by DINA DENHAM SMITH

EVERYONE MAKES MISTAKES at work. Whether it's losing your cool in a meeting or forgetting that report you were supposed to send at 3 PM, there are times when we inevitably mess up or fail. These bumps in the road are a normal part of work, but if you manage them poorly, they can reduce your level of trustworthiness and damage your reputation.

As we start heading back into the office and figuring

out what our "new normal" will be, the likelihood of miscommunications and mistakes is high. With everything in a state of flux, you are almost guaranteed to encounter moments of misalignment. (Can you ignore an instant message and focus on your work? Can you take a team meeting from your desk? Can you go for a walk in the middle of the day?)

For remote hires coming into the office for the first

time, this transition may feel particularly intimidating. It is yet another unprecedented event, rife with stress and uncertainty. If that stress becomes too overwhelming, it can reduce your work performance and patience, lead to poor decision-making, and trigger reactive or domineering behaviors.

Don't let these errors limit your career growth. The next time you mess up, follow the

■ ■ **While it is an act of integrity to apologize for your error, you will rebuild trust only if you correct the behavior or issue.**

strategies below to help you regain trust, minimize damage, and mend the situation.

Be proactive. Once you are aware of the mistake you have made, try to get in front of the situation before it spirals. Being proactive about addressing whatever took place demonstrates your awareness of the problem and relieves others from the potential discomfort of bringing it to your attention.

Take my former client Sabina, a finance executive, who began to hear whispers that people on her team found her condescending and overly controlling of their work. Rather than dismissing the comments and letting the situation escalate, she immediately set up one-on-ones with each team member to solicit their feedback and learn more. She then called a meeting to thank her team members for their feedback, express her remorse, and share her plan for remedying the situation.

By being proactive, Sabina was able to gain critical feedback for her improvement as a leader and nip her team's growing dissatisfaction before it escalated further. Even if you are not in a leadership position, you can reach out to those impacted

by your actions, hear them out, and share a plan for improvement moving forward.

Offer an apology. Offer a genuine and humble apology, acknowledging your error and the harm you caused to the other person or team, or the business. Don't be defensive or make your apology about yourself. What other people care about is your impact, not your intent.

For instance, suppose a colleague tells you that they were offended by a comment you made. Don't respond by saying, "Well, I would never offend anyone on purpose!" or "I am sorry if you feel that way."

Using the word "if" in your apology implies the other person is being irrational or overly sensitive. It does not show any ownership of your wrongdoing. Instead, fully own your mistake and say, "I appreciate you telling me that. I am sorry that what I said was offensive and hurtful to you. I'll be more mindful."

Make amends with those impacted. While it is an act of integrity and accountability to admit and apologize for your error, you will rebuild trust only if you correct the behavior or issue. Share what you learned, say how

it's going to be different, and commit to doing better. ("I'm sorry. I thought it was OK to attend the call virtually from my desk. I didn't realize everyone was expected to be in the conference room. I'll be there for the next meeting.")

You may need to work hard to change your behavior and correct the situation. But without the correction, any apology is worthless, and people will only grow more cynical.

Turning back to the example of Sabina, she improved her team leadership by deliberately practicing new communication and delegation approaches. Rather than proactively explaining things and providing solutions when trying to help her team members solve problems (two habits her direct reports found condescending), she committed to asking questions.

If she wasn't sure that her reports were following what she was talking about, she would ask, "Are you familiar with this?" before explaining further. And instead of doling out unsolicited advice, she would ask: "How can I help?" Further, she followed up monthly with each of her direct reports to solicit their ongoing feedback in these areas.

Show your boss that you are making progress.

Unfortunately, the negatives outweigh the positives in our minds, meaning people remember your faults more than your strengths. This negativity bias means it's essential to take action and not shrink back after making a mistake. Find ways to position yourself in front of people and demonstrate progress on the issue to rebuild trust and shift perceptions.

For example, Jared, an employee at a technology company whom I work with, learned in his annual review that he was failing to scale his organization the way his manager expected. His boss saw him as being in the weeds and creating churn versus enabling his teams to work more efficiently.

To improve his performance and overcome this perception, Jared created and mapped out a detailed plan, including steps and deadlines he planned to reach to accomplish his goals. Importantly, he updated his boss biweekly to give her visibility into his progress and counter her potential confirmation bias.

It takes time to rebuild trust and reset perceptions, so be patient. Maintain hope and persist in your efforts



over time, and you will prevail. As one CEO I interviewed on the topic of leadership brand shared, “I love people who have had a bump in the road, who have failed and learned. They now have a tolerance for failure, and it’s strengthened their character.”

Have compassion. When we have a setback at work, it can be embarrassing and we can become excessively self-critical. Berating ourselves for something in the past, though, is not helpful. We can learn much from our mistakes and use them to catalyze our development, so long as we don’t focus our energy on criticizing ourselves.

When you unintentionally err, treat yourself as you would a friend in a similar situation. Among its many proven benefits, practicing self-compassion will support you in regaining clarity and confidence, and moving forward productively from a setback. To ensure you make your mistake a valuable learning experience, also ask yourself these two questions:

- How can I prevent this from happening again in the future?
- What’s one lesson I can extract from this experience?

Similarly, show compassion for others when they

stumble. They’re probably feeling embarrassed and already rebuking themselves enough for their error. Don’t add to the negative emotions they already feel. This is especially true when it comes to remote hires, whose onboarding was most likely compromised by the circumstances.

The good news is that self-compassion and compassion for others are connected. When you practice one, you naturally boost the other and contribute to an upward cycle of compassion at work, the order of the day if there ever was one.

Remember that mistakes and setbacks are normal, and failure offers us an opportunity to learn. If you mess up at work, don’t duck, cover, and self-flagellate. Instead, use the strategies above to remedy the situation, rebuild trust, and repair your reputation.

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9. How to Stop Obsessing Over Your Mistakes

→ by ALICE BOYES

DO YOU EVER find yourself endlessly mentally replaying situations in which you wish you’d performed differently? You wish you hadn’t said that dumb thing. You wish you’d volunteered for that project that’s now winning accolades. You wish you’d spoken up. You wish you hadn’t dropped the ball with that potential client.

Overthinking in this way is called rumination. While we worry about what might occur in the future, we

ruminate about events that have already happened. A ruminative reaction to an event often triggers memories of similar situations from the past and an unproductive focus on the gap between the real and ideal self. Prompted by this one event, you begin to chastise yourself for not being more of something: organized, ambitious, smart, disciplined, or charismatic.

Rumination isn’t just unpleasant. It’s closely linked to poor problem-solving,

■ Recognizing that we often won't understand the reasons for someone else's behavior is a hugely important skill in reducing rumination.

anxiety, and depression. The good news is that there are effective solutions for breaking yourself out of this rut, and they're simpler than you might think.

Identify your most common triggers. You can't quell rumination without noticing that you're doing it, but people aren't always able to spot it in themselves. A great way to get better at this is to think about what has triggered you in the past. Your list might look something like:

- Collaborating with people I don't yet trust
- Being around people who seem smarter or more ambitious
- Taking a step up in my career
- Making major money decisions

Notice if the dominant pattern of your rumination is blaming yourself or blaming others. Most heavy ruminators lean toward one or the other of these.

Get psychological distance. Next, you need to put some psychological distance between you and the things you ruminate about. For instance, you might feel concerned about how you're perceived by people who have no impact on your success,

get hung up about very small amounts of money, or see yourself as an underachiever despite the fact that objectively you're doing very well. One way to start to get this distance is by labeling what's running through your head as thoughts and feelings, a tactic known as emotional agility. So instead of saying "I'm inadequate," you might say, "I'm feeling like I'm inadequate." You can even be more light-hearted about it: "Oh, that's just my ruminating mind overheating again."

Recognizing the absurdity in some of your reactions can also help you take them less seriously. Look for any subtle entitlement or self-absorption hidden in your ruminations. Do you expect things to always go your way? Do you believe people are scrutinizing you when, in reality, they're probably thinking about themselves? Do you spend time comparing yourself with business superstars or celebrities? Entitlement and personalizing can indicate that you tend to think the world revolves around you. If applicable, try to see the irony in being both narcissistic and insecure, rather than viewing it as an indictment on your character. You can even try imagining an ultra-neurotic TV character version of yourself.

Not every rumination topic is appropriate for this strategy, but catch any that are.

Distinguish between ruminating and problem-solving. Occasionally you might have a useful insight while ruminating, but mostly it's avoidance coping. Generally, the more people ruminate, the less effective they are at problem-solving. Either they don't think of solutions or don't pursue them quickly or effectively. For instance, one study showed that women who were heavy ruminators took over a month longer to seek medical care after finding a breast lump. To shift from rumination to improvement mode, ask yourself, "What's the best choice right now, given the reality of the situation?" Start by taking one step, even if it's not the most perfect or comprehensive thing you could do. This strategy is particularly relevant for perfectionists. If you're ruminating about a mistake you've made, adopt a strategy that will lessen the likelihood of it happening again.

Train your brain to become nonstick. As soon as you notice you're ruminating, try to distract yourself for a few minutes. Engage in

an activity that's short and mentally absorbing but not extraordinarily difficult, like spending 10 minutes filling out an expense report. The activity you pick should require you to concentrate. In some situations, you might be able to just refocus your attention on what you're supposed to be doing. You might think: "How could something so simple help with my complex, emotional problem?" But this technique can be surprisingly effective.

Physical activity, such as jogging or walking, can also calm a mind that's prone to rumination. Meditation or yoga can be especially helpful for protecting yourself from sticky thoughts and learning not to overengage with them. These practices ask you to notice when your mind has wandered off to the past or future and bring it back to what's happening in the present (often your breathing or other sensations in your body or surroundings). This is exactly the skill you need for coping with moments of rumination.

Check your thinking for errors. Sometimes rumination is triggered by cognitive errors. The catch-22 is that you're not very likely to be good at detecting distorted thinking when you're



ruminating, since it clouds thinking. The solution is to develop a good understanding of your typical thinking errors over time in calm moments so that you're still able to recognize them when you're feeling heightened emotions. Here's a personal example: I'll often read a work-related email and zone in on one or two sentences that irritate or upset me and then misinterpret the overall tone of the message as demanding or dismissive. But, because I'm aware of this pattern, I've learned to not ruminate over my initial impressions. Instead, I read the email again after a day's cooldown and usually see that I had a biased impression of it.

Other common cognitive errors include setting too-high self-expectations, misinterpreting others' expectations of you, underestimating the extent to which other smart people struggle with what's troubling you, and making mountains out of molehills. If you're ruminating about someone else's behavior and attributing a cause to that behavior, at least entertain the idea that your explanation is wrong and try to accept that you might never know the truth. Recognizing that we often won't understand

the reasons for someone else's behavior is a hugely important skill in reducing rumination.

Rumination is a widespread problem. Before you can break out of it, you need to become more aware of when you're doing it and have resistance strategies ready to go. This takes time and effort. But it's important—for your mental health and productivity—to try to nip it in the bud. So, before you go deep into your next “would have, should have, could have” spiral, give one or more of these ideas a go.

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10. To Recover from Failure, Try Some Self-Compassion

→ by CHRISTOPHER GERMER

IF A GOOD friend tells you about an ordeal they're facing or a mistake they've made, how do you typically respond? In all likelihood, you offer kindness and comfort, perhaps speaking in a warm and soothing tone or offering a hug to show how much you care. When your

friend recovers and the conversation continues, chances are that you'll expand your support by encouraging your friend to take necessary action or try to discover how to steer clear of similar difficulties.

Now reflect for a moment on how you treat yourself



when you make a big mistake or experience a setback. You're probably much tougher on yourself—that you spring to self-criticism (“I’m such an idiot!”), hide in embarrassment or shame (“Ugh!”), or ruminate for a long time on your perceived shortcomings or bad luck (“Why did this happen to me?”). When things go wrong in our lives, we tend to become our own worst enemy.

To recover emotionally and get back on your feet, here's an approach you can take: self-compassion.

I've been working with mindfulness in my psychotherapy practice for over 30 years. It is a powerful resource that helps people stay present and focused on the task at hand. I've come to realize, however, that a component of mindfulness that is essential for emotional resilience is often overlooked. In particular, when we fail in a big way, we're quite likely to become engulfed in shame, and our sense of self is dismantled. We all know what this feels like: We're unable to think straight, temporarily suspended in time and place, dislocated from our bodies, and uncertain of who we really are. Shame has a way of wiping out the very observer who is needed to be mindful of our situation.

What does it take to rescue yourself and begin to address the situation effectively? You need to treat yourself with the same kindness and support that you'd provide for a friend.

A substantial and growing body of research shows that self-compassion is closely associated with emotional resilience, including the ability to soothe ourselves, recognize our mistakes, learn from them, and motivate ourselves to succeed. Self-compassion is consistently correlated with a wide range of measures of emotional well-being, such as optimism, life satisfaction, autonomy, and wisdom, as well as with reduced levels of anxiety, depression, stress, and shame.

To achieve these benefits, self-compassion must include three components, according to my colleague and pioneering self-compassion researcher Kristin Neff:

Mindfulness. This includes awareness of what's going on in the present moment. To be kind to ourselves, we need to know that we're struggling while we're struggling. It helps to name the emotions we're feeling in tricky situations and to ground ourselves in the here and now (sensations, sounds, sights).

These skills are associated with mindfulness that make space for a compassionate response.

Common humanity. It's good to remember that we're not alone. Most of us hide in shame when things go really wrong in our lives, or we hide from ourselves through distraction or with a few stiff drinks. The antidote is recognizing our common humanity—understanding that many others would feel the same way in similar situations and that we're not the only ones who suffer in life.

Self-kindness. We need to have a kind and warm-hearted response to ourselves. This can take many forms, such as putting a gentle hand over the heart, validating how we feel, talking to ourselves in an encouraging manner, or engaging in a simple act of kindness such as drinking a cup of tea or listening to music.

When we feel threatened, our nervous system is awash in adrenaline and goes into overdrive. When we're in this state, showing ourselves care and kindness is usually the last thing we're inclined to do. When we experience positive, warm connections, however, our system releases oxytocin, a feel-good

hormone that downregulates the effects of adrenaline. Taking a mindful pause and then bringing kindness to ourselves seems to activate our innate caregiving system and the calming effect of oxytocin, allowing the mind to clear and giving us a chance to take rational steps to resolve the issue.

Even though self-compassion is not the default option for most of us when things go wrong, anyone can learn to do it. Neff has developed an exercise you can use in everyday life when you need self-compassion the most. It is called the Self-Compassion Break (see the box below) and is based on the three components of self-compassion I've described. (This is just one exercise we offer as part of our empirically supported Mindful Self-Compassion training program.)

Consider the following example of the Self-Compassion Break in action. Your boss gave you a stretch assignment to lead a critical project. The project was a great success, due in large part to your skillful leadership, and you believe you demonstrated that you're ready for a promotion. But when you raise the idea with your boss, she laughs dismissively and changes

■ Instead of motivating yourself with blame and self-criticism, self-compassion motivates like a good coach, with encouragement, kindness, and support.

the subject. Livid with anger, you retreat from the conversation, asking yourself why you bothered to work so hard in the first place since you would never be recognized for it. *Of course* your boss wasn't going to support you, or even notice. Maybe she just wanted someone to do the heavy lifting to promote her own selfish agenda. Or maybe you're hopelessly out of touch and your performance really wasn't as good as you thought it was. When we're in the grip of strong emotions, our minds run wild.

As a savvy businessperson, you might think that this would be the perfect moment to advocate for yourself if it were only possible to make a balanced, compelling case for your promotion. But without a moment of self-compassion, your emotional reactivity is most likely to stand in your way. You'd put your anger on display instead of showing off your leadership skills, or you'd let self-doubt eat at your resolve to see the discussion through to an acceptable conclusion.

How do you activate self-compassion in the heat of the moment? Begin by acknowledging how you feel. For example, recognize

that you might still feel angry ("She's terrible and I hate her"); victimized ("She made me go through all of that—for what?!"); or doubt ("Maybe she's right that I don't deserve a promotion—I didn't do that great a job after all").

Next, acknowledge that others would probably feel similarly in this situation. Requesting a promotion after you've expanded your skills and taken on more responsibility is a reasonable thing to do, and your emotional reaction to the rejection of that request is not out of line. Consider any examples you know of others in similar situations. Perhaps Anika in the finance department told you last year that her promotion was denied, and you noticed how angry she was and how she doubted her own worth. You are not alone.

Finally, express kindness to yourself. What would you say to a friend in your shoes? Perhaps you'd say: "It's rough being taken for granted" or "Whatever comes of it, that project was a huge success—look at the numbers." Also think about how you care for yourself already. Do you go for a run, pet your dog, call a friend? If you do that when you're suffering, that's self-compassion.

Self-Compassion Break

When you notice that you are under stress or emotionally upset, see if you can locate where the emotional discomfort resides in your body. Where do you feel it the most? Then say to yourself, slowly:

"This is a moment of struggle."

That's mindfulness. See if you can find your own words, such as:

"This hurts."

"This is tough."

"Ouch!"

"Struggle is a part of living."

That's common humanity. Other options include:

"Other people feel this way."

"I'm not alone."

"We all struggle in our lives."

Now, put your hands over your heart, or wherever it feels soothing, sensing the warmth and gentle touch of your hands, and say to yourself:

"May I be kind to myself."

"May I give myself what I need."

Perhaps you need to hear more-specific words right now, such as:

"May I accept myself as I am."

"May I learn to accept myself as I am."

"May I be safe."

"May I be strong."

"May I forgive myself."

If you're having trouble finding the right language, it can help to imagine what you might say to a close friend struggling with that same difficulty. Can you say something similar to yourself, letting the words roll gently through your mind?

Once you've shifted your frame of mind from a threat state to self-compassion, you'll probably find yourself calmer and able to sit down and write a thoughtful and persuasive proposal about your promotion, one that builds on your project success and exhibits your leadership potential under stress.

In closing, a warning: Many people dismiss

self-compassion because they think it flies in the face of their ambition or hard-driving attitude, qualities they think have made them successful. But being self-compassionate doesn't imply that you shouldn't be ambitious or push yourself to succeed. It's about *how* you motivate yourself. Instead of doing it with blame and self-criticism, self-compassion motivates

like a good coach, with encouragement, kindness, and support. It's a simple reversal of the Golden Rule: learning to treat ourselves as we naturally treat others in need—with kindness, warmth, and respect.

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11. When We Learn from Failure (and When We Don't)

→ by GRETCHEN GAVETT

WHEN DO YOU pass the buck and when do you take the blame? New research shows most of us only cop to failures if they can't be attributed to something—or someone—else. But when we dodge accountability, we prevent ourselves from learning.

In their recent HBS working paper, Christopher G. Myers, Bradley R. Staats, and Francesca Gino identify what they call an “ambiguity of responsibility,” which plays a powerful role in determining when you learn from failure and when you don't.

It goes something like this: When we fail, we internally pinpoint what the authors call an “attribution of responsibility—namely taking personal ownership for the outcome or blaming it on external circumstances.” If you take personal ownership, their research shows you're much more likely to learn from and work harder after that mistake.

But when it's unclear if you're responsible for the failure, you're “less likely to internally attribute a failure, and thus less likely to learn,”

Myers told me. Importantly, he pointed out that this could be true even when someone is highly accountable for the outcome. “Francesca Gino and Brad Staats have shown that surgeons learn far less from their own failures (learning instead from their own successes and others' failures), presumably due to the ambiguity that comes from a bad surgical outcome—the surgeon is held accountable for the outcome, but it is unclear if it is his or her responsibility,” he said. “For example,

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there could have been an unforeseen complication, an error in another part of treatment, etc.”

This means that even when people intend to learn from errors, the ambiguity of responsibility can undermine those good intentions.

The researchers came to these conclusions after putting volunteers through several experiments. In one, subjects had to decide whether a car should be cleared for an upcoming race—a situation modeled directly after the *Challenger* explosion. One piece of crucial information—the likelihood of a gasket failure (99.99%)—was omitted but available via a link. Later, the same group was given a similar test in which they had to identify a potential terrorist, with additional information available via email.

Those who had taken responsibility for their failure to prevent a car crash in the first example—“I just did not take the time to read all the information and jumped to a conclusion based on what was initially presented to me, without reading everything”—were more likely to be successful on the second task. Those who attributed their ultimately disastrous decision to an outside factor—“You can’t expect a person to make a responsible

decision on any problem when you leave out one of the major key factors in it”—were less likely to succeed in identifying the fictional terrorist.

In a second round of experiments, subjects were told they’d failed on a blood-smear labeling task (even if they hadn’t) but given two different reasons: Half the group was informed they weren’t engaged enough in the task, whereas the other half received word there was a potential problem with the web browser they were using. The researchers found that the latter group often attributed their failure to the possible browser glitch. For example: “Apparently, the browser has some difficulty with displaying/labeling these images correctly, and that could have hindered my overall performance.” When the entire group did the task again, those who’d been told that they weren’t engaged enough took more time (an indicator of increased effort) and performed better than the browser-glitch group.

The problem, in the real world, is that it can be incredibly difficult to decrease ambiguity when it comes to failure—after all, many of our assignments involve teams of colleagues, multiple stakeholders, glitchy technology, and other un-

predictable factors. So how can managers encourage learning when it’s difficult to pinpoint responsibility?

Myers has a few suggestions, including removing the obstacles that can create ambiguity in the first place—a faulty browser, for example, or complicated processes. “Managers could also think carefully about the role of job design—such as the scope of responsibilities and reporting structures—to craft jobs that don’t have ambiguity blind spots built in,” he says.

It’s equally important to make failure safe within an organization. “Creating a culture of psychological safety, where individuals are encouraged to acknowledge and learn from failure, can help employees feel less psychological pressure to avoid internal attribution.”

He recommends trying nonpunitive root-cause reviews when a team fails, which can result in learning both for those responsible and for other team members who can learn vicariously.

“This can certainly be a challenging cultural element to build,” he cautions. “But books like [John C. Maxwell’s] *Failing Forward* provide a number of great examples of these kinds of practices that might jump-start a manager’s efforts.” Another place

to start is in HBR’s 2011 issue on failure, which includes an important article from HBS professor Amy C. Edmondson on how leaders can better understand failure and make it a central part of their strategies. Edmondson illuminates the big difference between knowing that failure is a valuable learning experience and actually making it a core part of a company’s ethos, and offers five key suggestions on how leaders can build a psychologically safe environment. Among them: create a shared understanding, or framing, around the types of failures that employees can expect to happen at work, and reward the messenger who brings up bad news.

“My experience is that we learn much more from failure than we do from success,” Procter & Gamble’s A.G. Lafley told us in that issue. He’s right, but this new research, in addition to what we already know about failure, also demonstrates that learning depends on more than one person’s ability to suck it up and declare, as the white paper’s title puts it, “My bad!”

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Executive Summaries



Many managers perceive and react to failure inappropriately and therefore have trouble learning from it—leading to more failures down the road.

CAN YOU HANDLE FAILURE?

PAGE 80



How Companies Learn from Mistakes

Why Leaders Don't Learn from Success

Francesca Gino and Gary P. Pisano
page 10

What causes so many companies that once dominated their industries to slide into decline? In this article, two Harvard Business School professors argue that such firms lose their touch because success breeds failure by impeding learning at both the individual and organizational levels.

When we succeed, we assume that we know what we are doing, but it could be that we just got lucky. We make what psychologists call *fundamental attribution errors*, giving too much credit to our talents and strategy and too little to environmental factors and random events. We develop an *overconfidence bias*, becoming so self-assured that we think we don't need to change anything. We also experience the *failure-to-ask-why syndrome* and neglect to investigate the causes of good performance.

To overcome these three learning impediments, executives should examine successes with the same scrutiny they apply to failures. Companies should implement systematic after-action reviews to understand all the factors that led to a win, and test their theories by conducting experiments even if "it ain't broke."

HBR Reprint R1104D

Increase Your Return on Failure

Julian Birkinshaw and Martine Haas
page 18

Although many companies claim to embrace failure as an integral part of the innovation process, near-zero tolerance for it blocks them from pursuing new ideas. Corporate budgeting, resource allocation, and risk control are all designed to promote predictability and efficiency, and even when people understand that they can and *should* fail, they do everything possible to avoid missteps. There's a way to resolve this conundrum, however: Increase your return on unsuccessful projects by rigorously extracting value from them, boosting their benefits while minimizing their downsides.

In this article, two business school professors outline three steps you can take to improve your firm's return on failure. First, study projects that didn't pan out and document all the insights they offer about customers, markets, future trends, your organization, your operations, your team, and yourself. Second, magnify the impact of those lessons by spreading them across your company. Senior leaders should gather frequently to discuss their failures, and efforts to share lessons with all employees will build trust and goodwill and encourage future initiatives. Third, step back and do a corporatwide review of your pattern of failure, to ensure your overall approach is yielding all the benefits it should. If failure rates are too high, you may need to tighten up your systems, but low rates may signal a need to encourage more openness to risks.

Mistakes are the inevitable consequence of trying something new. But they can also be a source of tremendous value in the form of learning, if your firm has the right mindset.

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Executive Summaries



How Companies Learn from Mistakes

Failing by Design

Rita Gunther McGrath | page 24

It's hardly news that business leaders work in increasingly uncertain environments, where failures are bound to be more common than successes. Yet if you ask executives how well, on a scale of one to 10, their organizations learn from failure, you'll often get a sheepish "Two—or maybe three" in response. Such organizations are missing a big opportunity: Failure may be inevitable but, if managed well, can be very useful. A certain amount of failure can help you keep your options open, find out what doesn't work, create the conditions to attract resources and attention, make room for new leaders, and develop intuition and skill.

The key to reaping these benefits is to foster "intelligent failure" throughout your organization. McGrath describes several principles that can help you put intelligent failure to work. You should decide what success and failure would look like *before* you start a project. Document your initial assumptions, test and revise them as you go, and convert them into knowledge. Fail fast—the longer something takes, the less you'll learn—and fail cheaply, to contain your downside risk. Limit the number of uncertainties in new projects, and build a culture that tolerates, and sometimes even celebrates, failure. Finally, codify and share what you learn.

These principles won't give you a means of avoiding all failures down the road—that's simply not realistic. They *will* help you use small losses to attain bigger wins over time.

HBR Reprint R1104E

Strategies for Learning from Failure

Amy C. Edmondson | page 32

Many executives believe that all failure is bad (although it usually provides lessons) and that learning from it is pretty straightforward. The author, a professor at Harvard Business School, thinks both beliefs are misguided. In organizational life, she says, some failures are inevitable and some are even good. And successful learning from failure is not simple: It requires context-specific strategies. But first leaders must understand how the blame game gets in the way and work to create an organizational culture in which employees feel safe admitting or reporting on failure.

Failures fall into three categories: preventable ones in predictable operations, which usually involve deviations from spec; unavoidable ones in complex systems, which may arise from unique combinations of needs, people, and problems; and intelligent ones at the frontier, where "good" failures occur quickly and on a small scale, providing the most valuable information.

Strong leadership can build a learning culture—one in which failures large and small are consistently reported and deeply analyzed, and opportunities to experiment are proactively sought. Executives commonly and understandably worry that taking a sympathetic stance toward failure will create an "anything goes" work environment. They should instead recognize that failure is inevitable in today's complex work organizations.

HBR Reprint R1104B

The Failure-Tolerant Leader

Richard Farson and Ralph Keyes
page 40

"The fastest way to succeed," IBM's Thomas Watson, Sr., once said, "is to double your failure rate." In recent years, more and more executives have embraced Watson's point of view, coming to understand what innovators have always known: Failure is a prerequisite to invention. But while companies may grasp the value of making mistakes at the level of corporate practices, they have a harder time accepting the idea at the personal level. People are afraid to fail, and corporate culture reinforces that fear.

In this article, psychologist and former Harvard Business School professor Richard Farson and coauthor Ralph Keyes discuss how companies can reduce the fear of miscues. What's crucial is the presence of failure-tolerant leaders—executives who, through their words and actions, help employees overcome their anxieties about making mistakes and, in the process, create a culture of intelligent risk-taking that leads to sustained innovation. Such leaders don't just accept productive failure, they promote it.

Drawing from their research in business, politics, sports, and science, the authors identify common practices among failure-tolerant leaders. These leaders break down the social and bureaucratic barriers that separate them from their followers. They engage at a personal level with the people they lead. They avoid giving either praise or criticism, preferring to take a nonjudgmental, analytical posture as they interact with staff. They openly admit their own mistakes rather than trying to cover them up or shifting the blame. And they try to root out the destructive competitiveness built into most organizations.

Above all else, failure-tolerant leaders push people to see beyond traditional definitions of success and failure. They know that as long as a person views failure as the opposite of success, rather than its complement, he or she will never be able to take the risks necessary for innovation.

HBR Reprint R0208D



Leading a Recovery from Failure

“We Had to Own the Mistakes”

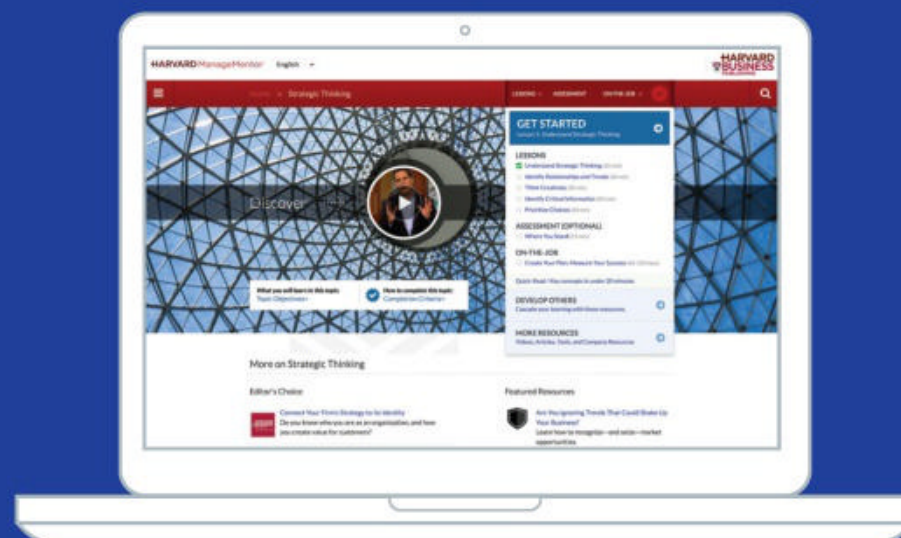
An interview with Howard Schultz
by Adi Ignatius | page 52

In 2008 Starbucks ran into trouble, and Schultz was called on to serve a second time as its CEO. In this edited interview, he talks about the effects of the financial crisis on Starbucks's sales, the surge of competition, the blogosphere, and retaining authenticity in spite of growth. Schultz calls values, culture, and Starbucks's reservoir of trust with its employees “the only assets we have as a company.” He saw preserving and enhancing the integrity of those assets as his primary challenge. That meant declining to franchise the system or compromise on quality or change the company's generous health care coverage.

One bold move was to take 10,000 store managers to New Orleans for a conference that began with more than 50,000 hours of community service and an investment in local projects of \$1 million. The purpose of the conference was to galvanize the entire leadership of the company and to stress personal accountability and responsibility. Schultz believes that without that experience, he couldn't have turned things around for Starbucks.

HBR Reprint R1007K

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Executive Summaries



Overcoming Your Own Failures

Building Resilience

Martin E.P. Seligman | page 72

Failure is a familiar trauma in life, but its effects on people differ widely. Some reel, recover, and move on with their lives; others get bogged down by anxiety, depression, and fear of the future. Seligman, who is known as the father of positive psychology, has spent three decades researching failure, helplessness, and optimism. He created a program at the University of Pennsylvania to help young adults and children overcome anxiety and depression, and has worked with colleagues from around the world to develop a program for teaching resilience. That program is being tested by the U.S. Army, an organization of 1.1 million people where trauma is more common and more severe than in any corporate setting. Nevertheless, businesspeople can draw lessons from resilience training, particularly in times of failure and stagnation.

The program is called Comprehensive Soldier Fitness, and it has three components: the Global Assessment Tool, a test for psychological fitness (administered to more than 900,000 soldiers to date); self-improvement courses following the test; and “master resilience training” (MRT) for drill sergeants. MRT focuses on enhancing mental toughness, highlighting and honing strengths, and fostering strong relationships—core competencies for any successful manager.

HBR Reprint R1104H

Can You Handle Failure?

Ben Dattner and Robert Hogan | page 80

Handling failure and blame is key to managerial success. But roughly 70% of Americans have a personality type that tends to react inappropriately when things go wrong. Some people are *extrapunitive*, always pointing a finger at someone else. Others are *impunitive*, denying there's a problem or that they played any role. And still others are *intrapunitive*, heaping too much blame on themselves and seeing disasters where none exist.

Fortunately, there are ways to fix such flawed responses. The first step is to cultivate self-awareness; several personality tests can help you assess your interaction style. Next, deepen your political awareness to better understand what messages others are receiving.

Once you've identified your bad habits, you can move toward more-adaptive responses. Dattner and Hogan describe several strategies that can benefit any of the personality types. You should make sure to listen and communicate well, reflect on the situation and the people involved, think carefully before acting, and look for lessons when mistakes do happen.

Using detailed examples, the authors illustrate how people with the various personality types are apt to react to specific failures and explain what they might do differently. They also offer insights to help you recognize when your bosses, peers, or subordinates fit into one of the problematic categories and suggest ways to influence their behavior. The taxonomy and tactics they present will help you approach failure with an open mind and react in a balanced, constructive way.

HBR Reprint R1104L

Give Yourself a Break: The Power of Self-Compassion

Serena Chen | page 88

When we experience a setback at work, we tend to either become defensive and blame others, or berate ourselves. Neither response is helpful. Shirking responsibility by getting defensive may alleviate the sting of failure, but it comes at the expense of learning. Self-flagellation, on the other hand, may feel warranted in the moment, but it can lead to an inaccurately gloomy assessment of one's potential, which undermines personal development.

Research shows that we should respond instead with self-compassion. People who do this tend to demonstrate three behaviors: First, they are kind rather than judgmental about their own failures and mistakes; second, they recognize that failures are a shared human experience; and third, they take a balanced approach to negative emotions when they stumble or fall short—they allow themselves to feel bad, but they don't let negative emotions take over.

Self-compassion boosts performance by triggering the “growth mindset”—the belief that improvement is achievable through dedication and hard work. It also helps us connect with a more authentic self.

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