



Book

## The Wisdom of Failure

How to Learn the Tough Leadership Lessons Without Paying the Price

Laurence G. Weinzimmer and Jim McConoughey

Jossey-Bass, 2012

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Great leaders learn more from failure than from success.

## Recommendation

Failure is treated unfairly. Professor of management Laurence G. Weinzimmer and business consultant Jim McConoughey discuss leadership failure and its repercussions as reflected in published research, a survey of managers and interviews with business leaders. Their guide to learning from failure is entertaining and insightful, though it does not set out to plow new ground. *getAbstract* recommends this basic, easy-to-read manual to leaders and managers who want to understand what worked in the past, what did not and why, so they can benefit from their failures.

## In this summary, you will learn

- Why it is important to learn from mistakes
- Where leaders are likely to fail and why
- How to understand and overcome the traps you are likely to encounter in organizational life

## Take-Aways

- Business leaders who do not fail are not taking enough risks, but those who do fail must learn from it and not repeat their mistakes.
- Leaders who abandon their strategic direction risk destroying their businesses.
- Executives need to consider the “box” – the constraints they have set for themselves – more fully before trying to function “outside the box” in uncharted territory.
- Effective leaders look at their organizations as part of a larger whole.
- Management failures unfold in three areas: “unbalanced orchestration,” “drama management” and “personality issues.”
- Workplace bullying is common, but many leaders don’t see it. Covert bullying is often more dangerous than overt bullying.
- A leader who is too eager to gain approval can damage a business as much as a bully.

- Some companies are so on edge that employees feel they are at war. Managers should foster an environment of collaboration, not competition.
- Managerial failings include hoarding authority and being destructively self-absorbed.
- Isolated or disengaged leaders should honestly assess their commitment to their firms.

## Summary

*“A common theme among industry’s greatest leaders: Their most important lessons have come from trial and error.”*

### **“Flawless Leadership: Learning the Lessons Without Paying the Price”**

Kenneth Lay, the former chairman of Enron, and Jim Owens, the former CEO of Caterpillar, shared similar backgrounds: Both grew up in the same generation and with little money. Each labored hard, working numerous jobs while studying at state universities. Both earned PhDs in economics before becoming CEOs of top companies. However, the two had divergent leadership styles: Owens learned from failure, while Lay chose to ignore it. Lay’s career ended in disgrace.

Business leaders who do not fail are not taking enough risks. Yet failure bears a lasting stigma in the business world. While leaders can learn more from failure than from success, they will fall from grace if their constituencies perceive them as bombing too often. Leaders must learn two important skills: understanding what worked in the past and what did not, and determining why a mistake occurred so they do not repeat it.

### **“Seduced by Yes: Trying to Be All Things to All People”**

Leaders who abandon their strategic direction and become greedy risk destroying their businesses; they fail in the area of “unbalanced orchestration.” LA Gear, for example, became successful in the 1980s selling shoes to young women. Its business unraveled when the firm destroyed its high-end cachet by selling excess inventory in discount stores and diversifying into selling men’s athletic shoes.

*“Real failure doesn’t come from making mistakes; it comes from avoiding errors at all possible cost, from the fear of taking risks to the inability to grow.”*

To avoid diluting your brands and blurring your targeted audience’s focus, heed the value you offer and the needs you fulfill for your audience instead of concentrating only on your product. Examine how a potential opportunity fits your strategic vision before saying yes to a new idea.

### **“Businesses You Have No Business Being In: Roaming Outside the Box”**

One of the clichés of modern management is that managers need to “think outside the box.” In fact, such an approach can destroy leaders’ ability to set strategic direction. Consider the box – the constraints you’ve set for yourself – before trying to function in uncharted territory. These constraints include your line of business, your value proposition, the market segment you serve, and so on. Netscape was a pioneer in the market for Internet browsers until founder Marc Andreessen tried to diversify by developing a new Java-based language. Because of that shift in focus, the Netscape browser lost its market to Microsoft’s Internet Explorer.

*“Smart people have the ability to ‘see mistakes as feedback that will help them improve, and they become expert in learning how to learn from mistakes’.”*

Leaders must never allow their competitors to define the parameters of their business. Coca-Cola made that mistake when it temporarily abandoned its decades-old formula and launched “New Coke” in response to a Pepsi campaign. Before experimenting outside the box, “think inside the box by evaluating your existing activities – look first in your own backyard.” For example, Caterpillar realized that it had developed formidable capabilities in logistics. Instead of diluting its signature heavy-equipment brand, it set up a separate business, Caterpillar Logistics Services.

*“Leadership ability... results from...following patterns of successes and developing skills to avoid failures.”*

### **“Entrenched in Efficiency: Forgetting to Put Effectiveness First”**

Effectiveness and efficiency are two ways of looking at work. Leaders who are effective see their organizations as part of a larger whole – for instance, an overall market. Within that context, they assess whether they are “doing things right.” Leaders obsessed with efficiency, on the other hand, tend to lose sight of the bigger picture because they focus on internal operations. Webvan, an online grocery store, and Pets.com, a website for pet supplies, were extremely efficient, yet both failed. Customers did not want to buy their online offerings. To ensure you are taking the right steps, concentrate on filling your customers’ needs rather than on selling your products. Ask customers what is important to them, not just if they are happy or not.

*“Failure to effectively orchestrate a strategy can sink the ship, whereas successful orchestration of a strategy can create the resilience to prosper in both good times and bad.”*

### **“The Playground in the Workplace: Leaders Who Rule by Bullying”**

Bullying is rife at work. A Workplace Bullying Institute survey found that 35% of respondents had suffered workplace bullying. You might assume that today’s managers are more enlightened than “old-school” bosses, but ignoring bullying is a meaningful failure that falls under the heading of “drama management.” Overt or covert bullying remains surprisingly common. Covert bullying is often more dangerous because it can persist for long periods of time as the victim suffers in silence with little hope of rescue.

Many leaders justify bullying because they believe it brings results. Coercion in any form scares employees and makes them reluctant to discuss work or personal problems. To stamp out bullying, let workers know that management will not tolerate such behavior. Examine your own conduct to see if you are being assertive or bullying. Establish protocols so people who have been bullied can seek help.

*“Chasing dollars may work in the short run, but in the long run it can destroy your ability to lead strategically.”*

### **“When Utopia Becomes Dystopia: Problems with Dysfunctional Harmony”**

A leader who is too eager to be liked or to gain approval can damage an organization as much as a bully who wants to be feared. A boss who seeks approval or friendship above all tries to maintain the illusion that the organization is like a happy family – with no discord or discontent. Such “crowd-pleasing” leaders distrust debate because it signifies discord. As a result, they tend to hire people who toe their line. Such managers hide unpleasant news from their employees, fear giving negative feedback and solicit suggestions with no intention of implementing them.

Anil Menon of Emory University conducted a survey to explore how companies could use conflict productively. He found that firms whose leaders could channel debate constructively made better decisions than those whose executives failed to recognize the value of conflict.

*“Another harbinger of unbalanced orchestration is a focus on efficiency rather than effectiveness.”*

Being a leader can be lonely and can involve making unpleasant decisions. In 1995, three of the eight factory buildings at Malden Mills in Lawrence, Massachusetts, burned down. Malden employed 3,000 people. Aaron Feuerstein, the CEO and major shareholder, decided to continue to pay his workers even though his company’s revenues shrank after the fire. Feuerstein won his workers’ loyalty, but the company went bankrupt. Feuerstein was too eager to be liked. Leaders must seek respect without needing approval. Nurture a work atmosphere that values communication, debate and transparency.

*“Bully leaders abuse their authority by using*

### **“The Battle Within: Distracted Purpose”**

Some companies are so on edge that employees feel as if they work amid a perpetual state of war. In such organizations, managers rarely intervene and then only to make major decisions. Employees lack motivation because they have no idea when someone is going to attack their work. This atmosphere undermines the central purpose of leadership: ensuring that the whole is more than the sum of the parts.

*fear to motivate employees.”*

*“If you are in a leadership role and you try to be liked by everyone all of the time, you will inevitably create drama and undercut your own authority and effectiveness.”*

*“When a leader has such a sense of superiority that letting go of responsibility becomes difficult...it is the team – and the organization – that suffers.”*

*“Burnouts who stay on the payroll too long, bosses who have no interest in their jobs, and celebrity CEOs all have one thing in common: All are disengaged from their company’s culture.”*

Some leaders believe that compelling employees to compete against each other brings out their best work. Yet groups within a company can often combat so acutely that they refuse to share resources or insights, which causes the firm to suffer. In a well-functioning team, employee strengths and weaknesses balance each other. Many leaders seek this balance point, but their personal biases often get in the way of equilibrium. Having groups work together may make sense in certain cases and not in others. Leaders need to communicate that they want all employees and groups to unify for the company’s benefit.

Some leaders favor certain employees, leaving other staff members aggrieved and less willing to trust their colleagues. Or managers get so enamored of star employees that they promote them above their level of competence. Leaders should figure out whether they treat certain employees preferentially, and, if they do, they must open parallel opportunities for other staffers. Managers need to be aware of their staff members’ strengths and compensate for their weaknesses. While creating synergy within the organization can be worthwhile, leaders must draw up a clear set of objectives to focus the priorities of different groups as they work together. Managers also must ensure that employees buy into their goals.

### **“Standing in the Way: Hoarding Power and Responsibility”**

Managers also can fail in the area of “personality issues.” For example, some supervisors are hoarders. They want to monopolize everything – authority, power and control over minute details of how people work. When managers who suffer these failings become leaders, they tend to micromanage rather than lead.

In 1997, Jill Barad became CEO of Mattel, the toy manufacturer. She was the first female chief executive of a *Fortune* 500 company. As she climbed the corporate ladder, she led a major product success, increasing the Barbie doll’s annual sales from \$235 million to \$1.5 billion. Even after she became CEO, Barad insisted on examining the smallest details – including the expressions on the dolls’ faces. She felt she was protecting the Barbie line. Her refusal to delegate fostered a sense of helplessness in her employees and a lack of direction in the company. She resigned under pressure in 2000.

Most managers prone to hoarding have a high opinion of their capabilities and disparage the abilities of others. Such behavior adversely affects staff members. Employees don’t feel trusted, and high-performing stars have no reason to remain with the organization. Other workers feel unhappy and lack motivation.

Leaders who recognize that they are hoarders can admit this failing to their employees. They need to ask their people to help them if they exhibit signs of such behavior. They can rebuild trust by empowering their staffers and delegating important responsibilities to them.

### **“Living Outside the Storm: The Destructive Path of Disengagement”**

Leaders often isolate themselves or disengage from their organizations, with serious consequences. In some cases, this happens because leaders lose interest. Jared Heyman built Infosurv, a successful start-up. He began the venture when he was 20. By the time he was 32, Heyman wanted to do all the things that he had missed out on when he was younger, such as traveling around the world. His executive style had always been reclusive; he normally worked behind closed doors. The employees he left behind didn’t miss him when he decided to travel extensively. With such a detached leader, when a company faces a difficult situation, no one is at the helm. Absentee leaders also leave employees feeling unappreciated and ready to jump ship.

Some leaders disengage because they see themselves as celebrities and become more interested in promoting themselves than in leading the company. Carly Fiorina’s stint at Hewlett-Packard shows the consequences of a celebrity leader’s actions. She forced the amalgamation of 87 divisions into four – a step that the corporation later had to reverse. She went against HP’s model of open

*“It is the ability to maintain balance between the lessons learned from your successes and lessons learned from your failures – the flip side – that gives you the wisdom to be a great leader.”*

*“If there is one skill that comes the closest to being the secret to success as a leader, it is balance.”*

communication and attempted to create a top-down culture. She bought an executive jet and gave herself and other executives bonuses, while 18,000 employees lost their jobs.

To avoid the perils of disengagement, honestly assess your degree of commitment. Build bridges with your employees and win their trust. Even the people at the top need honest feedback and appreciation. If the board of directors won't offer either, seek outside appraisal and affirmation.

#### **“Problems with Self-Absorbed Leaders”**

Probably the most destructive trap that leaders face, both for themselves and for their organizations, is self-absorption. In some cases, celebrity leaders use their companies to burnish their reputations. Self-absorbed leaders are not interested in fame – they believe that they are the greatest gift to the world since the beginning of creation. Such leaders can be narcissistic, arrogant and blind to the possibility that they might ever be wrong. These traits can distort decision making; such leaders can take themselves and their organizations down disastrous paths.

Self-absorbed leaders share certain common characteristics: They brag, they want to “one-up” everybody else, and they feel they know everything about everything and have no need to listen. They believe that the world owes them and that they can never be wrong. Yet they're wrong about that and much else, besides.

## About the Authors

**Laurence G. Weinzimmer** is a professor of management at the Foster College of Business Administration at Bradley University. Business development consultant **Jim McConoughey** is a fund manager for venture and early-stage capital investments.

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