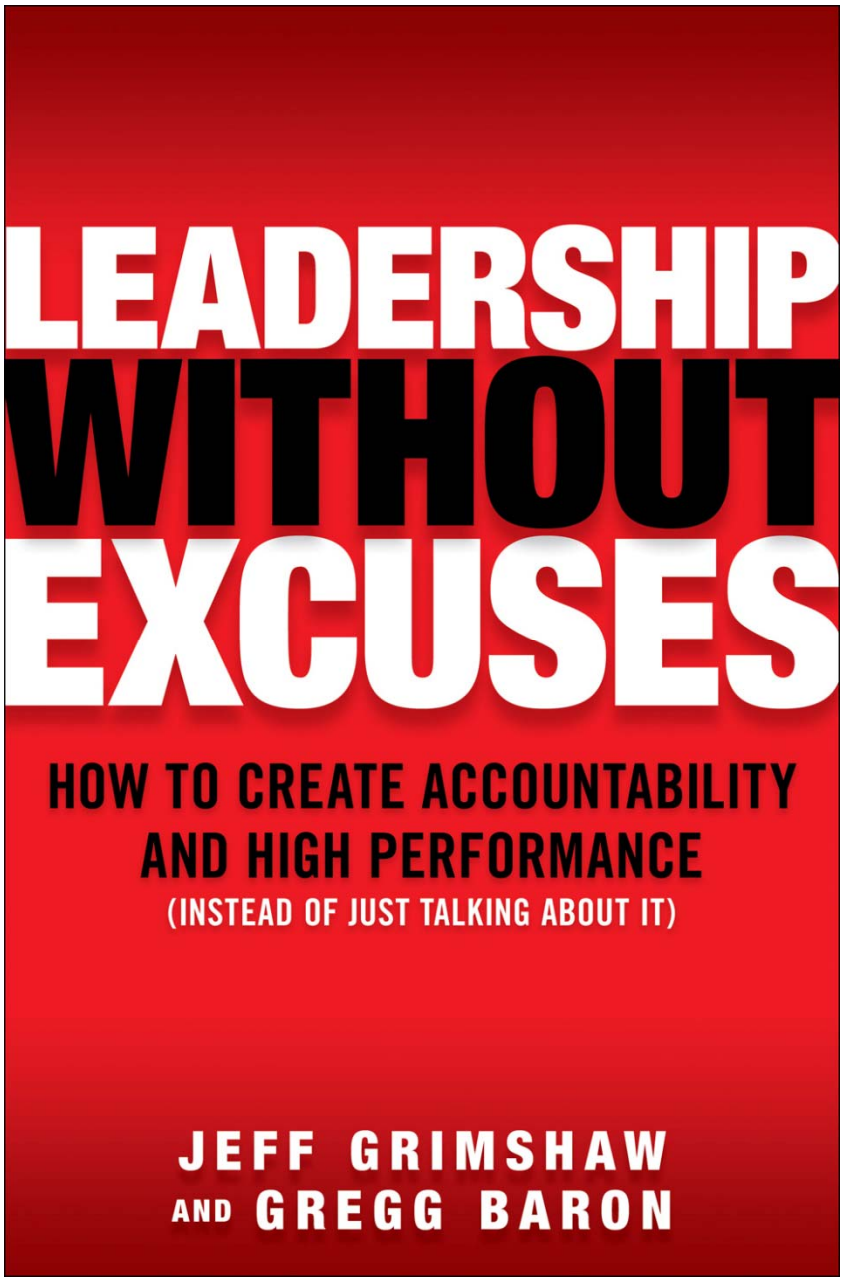

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LEADERSHIP WITHOUT EXCUSES

HOW TO CREATE ACCOUNTABILITY AND HIGH PERFORMANCE

(INSTEAD OF JUST TALKING ABOUT IT)

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CHAPTER 13

TREAT MISTAKES AS INTELLECTUAL CAPITAL AND GIVE NEGATIVE FEEDBACK THAT DOESN'T FREAK PEOPLE OUT

There's just one thing that makes it tough to receive negative feedback and learn from mistakes—and that's human nature. As Nassim Taleb writes in *Fooled by Randomness*,[1] humans have a hard time controlling their response to negative information. For example, he says, people who check their stock portfolios once per day, on the whole, make less money than people who check their portfolios once per quarter. Why? Purely as a function of random volatility, the person who checks his or her portfolio more often will have more exposure to negative information. And repeated exposure to negative information is "emotionally draining" and leads to illogical choices.

In recent years, neuroscientists and other researchers have learned lots more about why this is the case. The brain,

researchers say, has a "negativity bias." This hypersensitivity to negative information is a survival instinct. It helps people to act fast in response to threats. This is a trait you want in your people much of the time. But not when you are giving them negative performance feedback or trying to help them learn from mistakes. Their brains are wired to process the threat to the ego much the same way it processes a physical threat. One recent study found that "hurt feelings activated the same regions of the brain [that are] activated by broken bones or other physical injuries."[2] In other words, an ego wounded by critical feedback may in some ways *literally* be in pain.

And then what happens in response to the ego "threat" posed by negative feedback? The brain's executive function, which *could* help the feedback recipient rationally process the negative performance feedback and determine how to improve performance, instead stages a walkout. Automatically, the brain's reptile function takes charge. The reptile function is all about speed and survival and—when activated in response to negative performance feedback—compels a defensive response. That response often takes the form of excuse making, a way to protect the ego through "self-serving explanations . . . that aim to reduce personal responsibility."[3,4] What it can sound like is: "Oh, you think I can do a better job of handling customer complaints? Well, I wasn't the one who messed up their service" or "We didn't want to keep that stupid customer anyway" or "Nobody ever trained me right" or "I usually handle them great.

Why are you focusing on this one bad example?" or—you get the idea.

So how do you give negative performance feedback without freaking people out? How do you create an environment where people channel their energy into learning from mistakes instead of covering them up?

One emerging school of thought considers this challenge and says, "Compensate for the brain's negativity bias. The research suggests we are about five times more sensitive to negative information than to positive information. So balance it out. Make sure that positive performance feedback outnumbers negative performance feedback by a 5:1 ratio." It's hard to argue with the data. For example, researchers have found that in the most stable marriages, "[T]here is five times as much positive feeling and interaction between husband and wife as there is negative."[5] More relevant to our discussion, a study of work teams and their performance found that the highest-performing teams "averaged 5.6 positive interactions for every negative one," whereas the 19 lowest-performing teams "racked up a positive-negative ratio of 1:3."[6]

The problem with this approach is in its practical application. How are you supposed to make sure that positive performance feedback outnumbers the negative by a 5:1 ratio? What does that even mean? How are you supposed to keep count? And what happens if you have only one positive thing to say to the person to whom you're giving feedback? What then? Wait until you have four more positive things

to share the negative performance feedback? Make four things up? If the goal is to lead conversations grounded in empirical reality, none of these seems like a good choice.

Is there an alternative? We think so.

According to neuroscientists Sandra Aamodt and Sam Wang, a great way to manage emotions is called *reappraisal.* As they explain, "That's when you reconsider the meaning of an event as a way of changing your feelings about it."[7] As such, it involves disciplining the brain's executive function to override the reptilian inclination to freak out and get defensive. Through reappraisal, the executive function does this by reframing the situation.

Here's an example to illustrate how reappraisal works. Our Asia office is in Saigon. It's wild to travel there with Western colleagues who are visiting for the first time. No matter how jetlagged they are, the drive from the airport to downtown rouses them to full consciousness. In Saigon and throughout Vietnam, traffic flows like water, filling all space available. At any point, your taxi may be one of seven vehicles spread across two lanes. Through frequent stops and starts, you're surrounded by other vehicles (scooters, buses, bikes) three inches ahead of you, behind you, and on both sides. And regardless of whether there is a signal or what it displays, your driver will enter intersections without looking for oncoming traffic. Additionally, because traffic moving in your direction is inevitably slow, your driver will take advantage of any open space in the left lane—even if there's a dump truck coming toward you a block away—then

slide back into the right lane just in time to avoid a head-on collision.

What's most surprising is that you'll arrive at the office without incident. Sure, you'll pass the occasional fender-bender, but they don't seem to occur with more frequency in Saigon than anywhere else, especially given the traffic volume. What makes this all possible is the horn—and more specifically, honking. Vietnamese drivers honk constantly. If Westerners used horns as much as the Vietnamese do there, we'd have road rage and bloodshed every rush hour. Why? Because we honk our horns and perceive others' honking their horns primarily as an expression of ego and an assertion of relative social power. In Saigon, though, horn honking is a purely functional activity. It just means "I'm *here*." Not "*I'm* here!" And not "Get out of my way! Now! Jerk!"

So, after a few days in Vietnam, visitors reappraise what it means to hear someone honking.

Is it possible to do the same thing in organizations? To promote reappraisal so that communication about mistakes and performance gaps is seen merely as a functional activity instead of an identity threat? So that negative performance feedback isn't experienced *negatively*?

We think the answer is yes because we've seen it happen. In the rest of this chapter we'll highlight some specific strategies for giving your team negative feedback that doesn't freak them out and helping them to treat mistakes as intellectual capital.

Hardcore about Hiring

For starters, the organizations that have the least amount of trouble with negative feedback are hardcore about their hiring. You might be thinking: What do hiring practices have to do with giving negative feedback? If so, we'll answer your question with a question:

Do you have enough confidence in the selection process in your organization that you can assume competence and culture fit for the people you hire? If your people believe that you have confidence in them and want to make them even better, they'll be much more likely to process negative performance feedback the way you'd like them to. However, if they believe that your default assumption is that everyone is a hiring mistake waiting to reveal itself, they'll treat negative performance feedback as an existential threat to their ego and economic security.

Thor Mann, a principal with the management assessment firm ghSMART, illustrates this idea by describing his experience at two different companies. "My former organization describes itself as a feedback-rich environment. But the joke was that everyone is hired 'despite grave reservation,'" he told us. The orientation was, "We didn't really know what we got when we hired you, and whether it will work is anyone's guess."

"And so the feedback at that place was a little more personal—and seemed to be more a message about their lack

of confidence in their ability to select the right people and to develop those people rather than anything that I needed to do," Thor says. "And I found that ineffective and merely anxiety provoking."

By contrast, at ghSMART, there is a very strenuous, rigorous process to get hired. And so the orientation around feedback, Thor says, is, "We think you're great. You wouldn't be here if we didn't. And the feedback is going to help you—anything that we can do to help you get even stronger." The focus is on fine-tuning and improvement at the margins.

Hai Le, senior director for Hughes Network Systems in Indonesia, has created the same dynamic on his team. "You can be the smartest person on earth," he says. "But if your attitude is, 'I'm always right. You're always wrong,' we won't hire you." But if you make it through Hai's rigorous selection process, his guiding philosophy is, "We leave no one behind."

"Once we select somebody, it's just like marriage, for bad or good. So when someone's not performing, I'll ask, 'What happened? Because we know you can contribute. Is there something wrong here? Is it personal? Is there a conflict?' " he says. "We're going to do everything we can to push dialogue and solve the problem. When we lose a job or make other mistakes, we ask questions so we can all learn and grow." And because of the "leave no one behind" philosophy, he can count on his team members to participate earnestly in those conversations.

Appeal to Pride and Perspective

Major Neil Thomas is a highly experienced combat pilot who evaluates C-17 pilots for the U.S. Air Force. Before someone can advance from, say, first pilot to aircraft commander, Neil will observe that person for 10 days—typically 14 hours per day.

This means lots and lots of opportunities for negative feedback. But it's not much of an issue, he told us. "I'm dealing with people who've already invested a lot. They've been through intense training, and they want to be there," he says. "Everyone is attentive and trying to get better. So I can be very direct, very specific. They want to get the feedback. I know that if I hesitate or dance around the issue, they'll say, 'Just tell me.' " Because of the pride inherent to the role and perspective that Neil's pilots bring to the cockpit, he doesn't need to worry about dispensing positive to negative feedback at a 5:1 ratio.

Is it possible to promote that kind of pride and perspective in other contexts? Hai Le, to whom we introduced you earlier, has done it with his team. Beside his "leave no one behind" philosophy, Hai is famous for the question he asks everyone he brings on board, "Why are you here?" By encouraging people to frame their experience as career development and pursuit of potential, instead of, say, looking good and collecting the next paycheck, he promotes an environment in which his people are willing, even eager, to learn from their mistakes.

Another Hai Le maxim is also rooted in assumptions of pride and a long-term perspective: "There are so many things that could go wrong, but there's only one thing that can make it right: Building a stronger team," he says. So, when someone makes a mistake, his orientation is don't be embarrassed, and don't hide it. "My goodness!" he'll say, "How are we going to solve it if we don't know about it?"

Another exemplary leader is Walt Buckley, chairman and chief executive officer (CEO) of Internet Capital Group. At the height of the Internet boom, ICG's market capitalization exceeded GM's.

"In the late nineties, every time we made an investment, the stock went up—we could do no wrong," he recalls. "This created a false sense of invincibility. Being in the middle of hypergrowth during the Internet boom was like being in the middle of a tsunami. We were just trying to stay pointed in the right direction. We got so caught up in the success of the moment that we lost a good deal of our discipline and focus. Unless you've been through it before, it's hard to know that you need to seriously look at your organization even when everything is working beyond your wildest dreams."

When the crash eventually came, it hit hard. Instead of blaming everything on forces outside their control (namely, the dot-com crash), Walt led his team in meditating on their mistakes.

"We had to be honest with ourselves about the mistakes we'd made that put us in that place, including the mistakes I made. *What mistake didn't I make?* Looking back, I now call

that time the *MEMP period*—Made Every Mistake Possible," he says. "For example, our decision-making process broke down. We had too many people at the table. There was far too little transparency and, as a result, far too little accountability. That was a tough lesson."

But with the tough lessons came an interesting perspective. Think about it: You make every mistake possible, and you're *still* around to fight another day? For a band of warriors, that's a liberating feeling. And with it, Walt created an environment where, without being paralyzed by defensiveness, he and his team could thoughtfully catalog their mistakes, treat them as "intellectual capital," and apply them in their return to battle.

"As we headed up the next hill, we turned every one of those mistakes into a guide for how to climb back up to the top," Walt says.

"Our new emphasis on transparency and discipline required us to move much more deliberately, taking it one step at a time," he told us. "We put the cash flow of our many companies back in order, cleaned up our balance sheet, and moved them to growth. These were the real accomplishments that got us moving again. And today, our decision-making process for investing in companies is very thorough, as thorough as you'll find anywhere."

"And we made it," he adds. "Two hundred transactions later, we bought back all of our debt. It was a very painful, very long process. And the lessons learned were deep, lifelong, and are now an invaluable part of the intellectual capital of our organization."

Empathize

Demonstrating empathy allows the recipient of the negative performance feedback to accept its practical content without accepting the implicit or explicit assertion of your inherent superiority, which tends to trigger a reptile reaction. Tony Conti, an office managing director at PricewaterhouseCoopers advises, "Where you can, connect what you're asking that person to do with something in the past you've had to work on. Saying, 'I've done the same thing too,' softens the message and shows you empathize."

For similar reasons, he adds that he never expresses criticism or dissatisfaction through e-mail. "I don't deliver bad news in writing because it's there forever." It's got to be a conversation. Why? "When we're counseling someone, we have a tendency to talk more than listen, and as a result, we're not motivating the person to perform," Tony says. "So I've had to learn to lay back, pause, and listen." It's all part of creating the context for feedback in which negative information isn't experienced negatively.

Empty the Boat

There's a famous passage from the Daoist sage Chuang Tzu:

If a man is crossing a river
And an empty boat collides with his own skiff,
Even though he is a bad-tempered man
He will not become very angry.

But if he sees a man in the boat,
He will shout at him to steer clear.
If the shout is not heard, he will shout again,
And yet again, and begin cursing.
And all because there is somebody in the boat.
Yet if the boat were empty,
He would not be shouting, and not angry.

How do you "empty the boat" in your organization—and, as a result, take the negativity out of delivering critical performance feedback? Make feedback exchange a non-elective activity by building opportunities for it into your standard operating procedures. For example, if you're like most organizations and you conduct lessons-learned sessions (to discuss what worked and what didn't) only after projects that go badly, the participants (especially the ones who most need to learn from their mistakes) will show up with a defensive attitude. However, if "lessons learned" is just something that you always do, even when a project goes perfectly, the boat is empty. The same is true if you schedule and conduct quarterly feedback sessions with all your directs, regardless of performance—and if those sessions follow a predictable pattern. There's little perception of agency or intent. The boat is empty; this is just something predictable that you do. And, as a result, the brain's negativity bias and its hypersensitivity to "personal attack" are less likely to come into play.

Don't Ask Who, Ask Why

Our colleague Binh Nguyen once worked on the management team at the Park Hyatt Saigon. Like most high-end hotels, the Park Hyatt uses mystery guests multiple times each year. No one knows who they are or when they're coming. The goal, of course, is to get feedback on whether staff is delivering the brand according to standards. For example, did the reservation desk pick up the phone in three rings? Did they get checked in within 3.5 minutes of arrival?

When the report arrives later, it compares the mystery guests' experience against 100 brand standards. And what Binh found repeatedly among both management and staff was a tendency to want to try to infer through subtle cues in the data who was to blame for gaps in performance.

Binh recalls, "They'd look at deficits and ask, '*Who* was that?' 'It must have been *this* person? Or *that* person?' But that kind of fingerpointing misses the point. We have a finite amount of time and focus. Better to spend it on determining how to improve the customers' experience or how to improve future training than to supersleuth the report."

Jack Brennan, chairman and former CEO of Vanguard, likely would agree. "A very important part of our culture is the acronym *DAWAW*, which is a term coined by one of the IT [information technology] guys. It stands for 'Don't ask who, ask why,'" he told us. Why is this so important?

"We're always trying to do things better on behalf of our clients. But the way we do that is not by pointing fingers or assessing blame," he says. Instead, it is about asking, "Why aren't we doing as well as we can? Where are the opportunities to improve? And what are the opportunities to capitalize on businesses that we can build?"

As we noted, people use excuses as rapid-deploy defenses of their egos and identities. Accordingly, in an organizational culture in which the default reaction to failure is pointing fingers and assigning blame, it should surprise no one when employees devote their best thinking and finite energy to crafting a narrative that minimizes their responsibility.

By focusing the response to problems and failures predominantly on *why*, not *who*, you can promote a culture in which employees take pride in learning from their mistakes and solving problems.

Dave Watson from the senior team at MedeFinance told us how, as an alternative to the blame game, he approaches performance deficits with a spirit of dispassionate inquiry and a sense of resolve toward solving the problem. "If something's not going well, you don't start by taking out your hammer and clunking people in the forehead. First, ask, 'Okay, we missed a milestone. What's going on? What are the problems? What are the underlying issues?'"

"But it's about taking away excuses, not accepting them," he adds. The idea is to spend some time with them and find a way to solve the problem.

"Blame is nowhere in that conversation," he says. "In a blame game, there's a winner and a loser, and if you're

the boss and the other guy is the subordinate, we already know who won. The conversation ended before it started. Instead, just leave it open and say, 'We have a problem that we need to fix, I'm prepared to help, and I can make some suggestions. I'll help all I can.'"

But, he adds, they also need to hear: "You are still accountable. You cannot transfer that back up to me."

Make It Regular

There should never be any surprises in someone's formal year-end review. A surprise is like waiting until after the season is over to tell one of your starters what he's been doing wrong since game 1. It breeds resentment and exacerbates the paranoia and defensiveness associated with negative feedback.

Marshall Goldsmith counsels senior leaders that while their direct reports "seldom want or need coaching to be a time-consuming process," they do very much want "regular 'reality checks' to make sure that they are heading in the right direction." In other words, the "frequency of interaction is often more important than the duration of interaction."[8]

Generously Interpret Motives

One of the things we coach leaders to do is to generously interpret others' *motives* (while confronting the bad *behavior*). An example: You've just learned that Beth, a member of your team, has made a decision about how to staff her project

without consulting you first. What's your intuitive read on the situation? Is it: "That's sneaky and disrespectful. She's a problem." Or are you more likely to consider a more generous interpretation of her motives? As in: "Is it possible she doesn't understand that I've got to be consulted in these kinds of situations?"

Keep in mind that we're talking about generosity in your interpretation of Beth's *motives*. This is not about tolerance of her *behavior*. Regardless of where you come down on her motives, you've got to talk to Beth to readjust her expectations and make sure that she understands the consequences of failure to comply. The operative question is: *What are you trying to accomplish?* Get her to confess to operating with bad motives—and, by extension, acknowledge a significant character deficit? Good luck with that. The more you prosecute, the more defensive and indignant she's likely to become. And the accompanying drama is sure to create a gratuitous distraction for everyone around. The other option is to focus on a much more practical goal: Reinforcing your expectations and significantly increasing the odds that Beth's behavior in the future will align with your expectations.

We're not going to prescribe a one-size-fits-every-situation script for going soft on motives, hard on behavior. But the following approach, which you should adapt to fit your natural style and the needs of the situation, works for many:

- *Observation*. "Hey Beth, I see you made a decision about staffing your project without checking in with me first."
- *Hmmm*. "So I'm asking myself: Was I not clear about the requirement? Does she *not* want me to weigh in? Do we have different ideas about what's at stake? So I thought: Instead of wondering, I should come to you directly."
- *Ask a question*. "So here I am. What can you tell me?"
- *Clarify expectations*. "Oh, you didn't know it was a requirement. Yeah, well I'm glad we're having this conversation so that I can clear that up."
- *Confirm understanding*. "Is there anything in the future that might make this requirement difficult to work with? Good. Thanks for this conversation. I suspect we won't need it again."

And then, of course, you've got to hold her accountable.

Lead by Example

Major Neil Thomas, who we introduced earlier, is the chief evaluator at his Air Force base. And while it's his job to evaluate other pilots, if he himself goes 30 days without flying, his next time up is with an instructor—the same as everybody else.

This is a big driver of whether your team will respond to negative information nondefensively: whether you are subject to the same expectations—the same as everybody

else. So here's a coaching question to close out this chapter: Are you as a leader modeling and rewarding the behavior you want others to emulate?

1. Do you ask for feedback and then act on it?
2. Do you publicly praise and create instant folklore around people who quickly own up to their mistakes and adopt new ways to make things work?

True Stories

Here are four important things we know about humans and stories:

1. Humans are natural storytellers. We seem to be hardwired to create narratives to explain why things happen and to make sense of our lives.[9]
2. The upside of stories as a means of information sharing is that they are memorable and emotionally engaging. The downside is that, often, they are not very accurate in their depiction of cause and effect. Out of necessity, stories focus on certain details at the expense of others and leave out many relevant facts. Accordingly, the narratives we tell ourselves and each other tend to reflect "deception, blind spots, wishful thinking, the desire to please or manipulate an audience, lapses of memory, [and] confusion."[10]

3. We tend to create stories that are narcissistic and self-serving. We favor narratives that make us look good by putting us, and our unfailingly noble motives, at the center of the action.
4. We also have a powerful tendency to collude with each other to create stories that protect ourselves when mistakes happen. In nuclear power plants, for example, researchers have found that "when people fail, they tend to be candid about what happened for a short period of time, and then they get their stories straight in ways that justify their actions and protect their reputations. And when official stories get straightened out and get repeated, learning stops."[11]

What does this mean to you? It means that when something goes wrong in your organization, your employees, left to their own devices, probably will create narratives to explain the cause and effect of the event, with exculpation (as opposed to accuracy) as their primary objective. And let's be honest: You may very well do the same thing. The problem with creating stories for exculpation is that it makes you and your team vulnerable. If you fail to identify the true cause of what went wrong this time, there's a good chance it's going to come around and kick your butt again and again.

The alternative? One way to lead a conversation grounded in empirical reality and to get a more accurate picture of cause and effect is to engage your team in asking "why" as many as five times. In fact, we believe that being able to conduct a root-cause analysis with your team, at least informally, is a basic leadership competency. Here's an example to illustrate how it works:

One of our clients, the leader of a shared-services organization, found his internal client satisfaction scores declining quarter after quarter. As things got worse, his team began to create and tell themselves stories that pointed the blame at each other, at their leader and his supposed incompetence, and at their idiot clients. These stories offered the people telling them some temporary catharsis but did nothing to solve the problem.

When the leader of the team asked us to help, we encouraged him to lead his team in a root-cause analysis, which we agreed to help structure and facilitate. First, the leader worked with his team to identify in the simplest language possible the top three problems that explained the gap between the satisfaction scores they had and the satisfaction scores they wanted. Then, for each of those problems, they asked "Why?" up to five times.

One of the problems they identified was: We devote too much to projects that are outside our core expertise. And then we don't have enough time to do well the things we're really good at.

The leader asked: "Why do we have this problem?"

The answer (after a few minutes of discussion): "Because we take on projects that are outside our core expertise."

The leader asked: "Why do we have this problem?"

The answer: "Because we don't feel that we have the political power to say 'No' to anything."

The leader asked: "Why do we have this problem?"

The answer: "Because we don't have a clear charter to fall back on. Our department was created because the big-name consulting firm that helped with the last restructuring said we should exist. But they left without helping us determine the scope of our responsibilities—what we should and should not do."

On the one hand, the team felt embarrassed by their epiphany. It was so obvious. How could they not have seen it before? They had been beating themselves and each other up for no reason!

On the other hand, knowing the root cause that they needed to address was liberating. With the help of his boss, his team, and an advisory group comprised of internal clients, the leader created a charter for his department that focused on a finite set of core capabilities highly valued by the people they served. With a clear charter behind them, the team said "Yes" to things they did well and deferred the rest. Internal client satisfaction scores rose modestly the next quarter and shot up the quarter after that.

A few pointers:

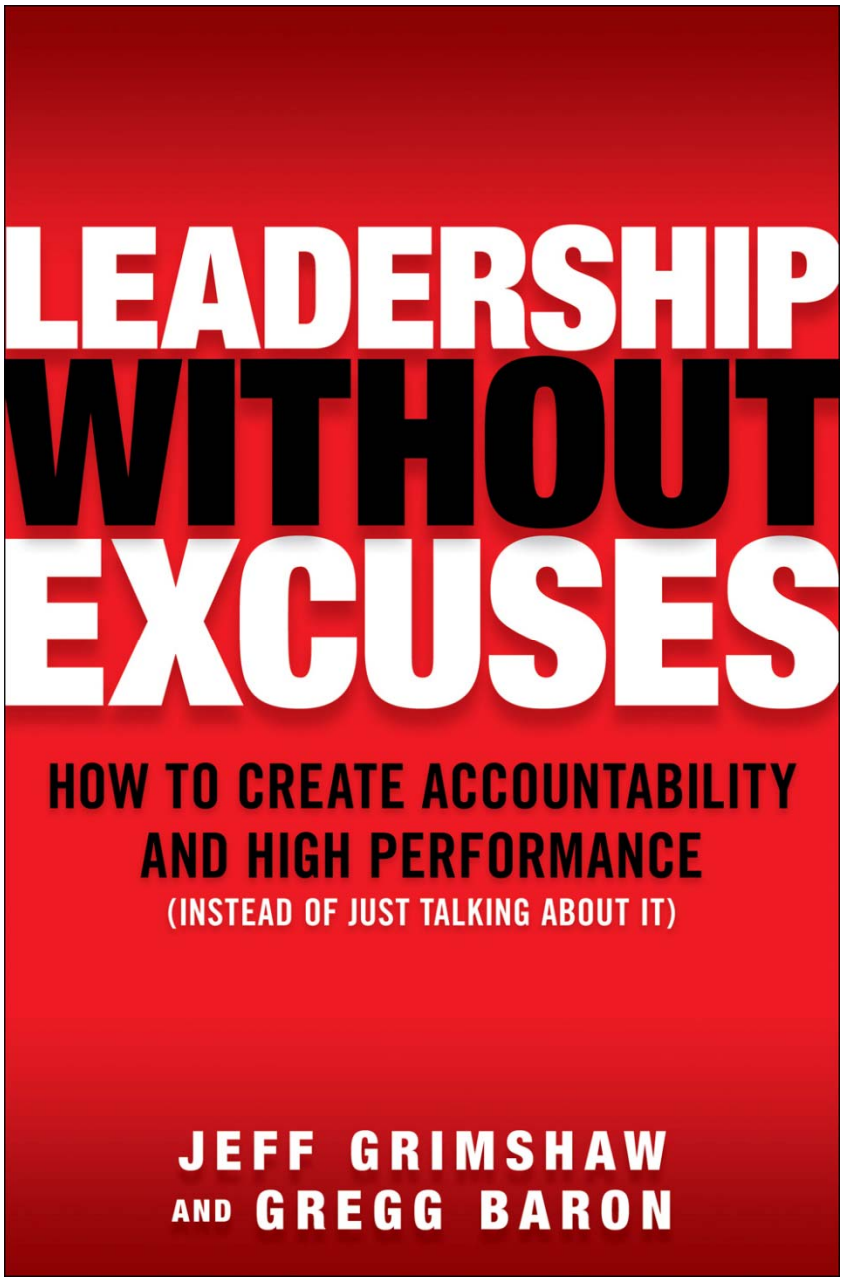
- There's nothing magical about asking "why" five times. Sometimes you can identify a suitable root cause after asking "why" only once or twice. If your answers move beyond the practical—for example, life is unfair—you've probably gone too far.
- Sometimes problems have more than one root cause—if this is the case, try to observe the 80/20 rule. If a single root cause explains 80 percent of the problem, focus on it.
- In your discussions, make sure that you can clearly explain the causal relationships. Push your team to answer the question: "Why exactly does this cause that?"
- Make sure that you clearly identify the specific actions you and your team will take to tackle the root causes. Otherwise, what you've created serves merely as a list of excuses.

CONCLUSION

There are three kinds of people. Some people are *saints*—they never make excuses. Some people are *sinners*—they always make excuses. Most people are *saveables*—give them an excuse, and they'll use it to defend their egos and avoid responsibility. Of course, this excuse making diverts energy and attention away from problem solving and delivering results.

This is why it's so important for leaders to take excuses out of the system by creating the conditions of accountability: Communicating clear and credible expectations. Creating compelling consequences. Leading conversations grounded in empirical reality.

While they're pretty much common sense and easy to remember, the conditions of accountability are not easy to put in place. This is why those who do it well deserve the big bucks and those who don't make excuses for why they can't.



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