LEADERSHIP

MAKE SMARTER MISTAKES

NOBODY'S PERFECT. HERE ARE SIX REALITY-TESTED STRATEGIES FOR FIXING, PREVENTING, AND LEARNING FROM THE BAD THINGS THAT CAN HAPPEN TO GOOD BUSINESSPEOPLE.

BY PAMELA KRUGER

It took less than five minutes for Janet Skadden, 45, to realize she had made a mistake. She'd recently become manager of human resources for Cisco Systems, the networking-equipment giant based in San Jose, California. One of her first initiatives was to organize an afternoon of team-building exercises for 300 company managers. As the young executives took turns falling backwards into each other's arms, she could hear the dubious reactions. "They were saying, 'Who thought of this?'" Skadden recalls. "'Is this supposed to be fun?' It was so depressing."

By the time Larry Smith, 40, realized he had made a mistake, his partners had reached the same conclusion. Two years after cofounding US Interactive, a New York City-based digital marketing agency that builds corporate Web sites, Smith pushed to expand the company into a new line of business: online advertising sales. "I thought it would be a great opportunity, a real growth area," he says.

It was — for the company's better-capitalized competitors. In June 1996, five months after the Smith-inspired diversification, with ad revenues just trickling in and the new unit detracting from the core business, US Interactive sold its ad-sales division.

Frank Bergandi's mistake was to follow the recommendation of his staff. Bergandi, 46, president and CEO of Objectivity Inc., a Mountain View,

California-based developer of object-oriented databases, spent $150,000 on a new software tool. His sales and marketing staff had convinced him that incorporating the tool into one of Objectivity's new products would create a real advantage in the market. Only later did Bergandi learn that his technical staff had no idea how it could handle the engineering work. "No one had ever talked to them," the CEO concedes — no one, including him.

In the annals of business mistakes, these three setbacks don't even warrant a footnote. No one was forced out or fired as a result. None of the errors really affected the bottom line. They were relatively small and easily avoidable — the kinds of mistakes that all of us make all of the time. Which is what makes them so important.

Let's be honest: more of us are making bigger decisions in less time — and with less information — than ever. That's why, almost of necessity, we are messing up more than ever. The flip side of making progress is making mistakes.

"If you're not making mistakes, you're not taking risks, and that means you're not going anywhere," argues John W. Holt Jr., 49, coauthor of "Celebrate Your Mistakes" (Irwin Professional Publishing, 1996). "The key is to make errors faster than the competition, so you have more chances to learn and win."

An utterly reasonable proposition — and one that most of us routinely ignore. Perhaps the most widely embraced delusion in business today is that it's possible (or even desirable) to create organizations where mistakes are rare, rather than a necessary cost of doing business. The problem with embracing this delusion: it encourages you to hide mistakes, shift the blame for them, or pretend they're something else. "Small mistakes are great learning opportunities," says Dennis Matthies, 51, a Bellevue, Washington-based learning consultant who spends much of his time coaching team leaders at Microsoft. "They show 'cracks' — areas of vulnerability — where you don't pay the price now but might later."

How can you make smarter mistakes? We sought advice from executive coaches, customer-service gurus, and people on the front lines of business. What follows is a six-step plan to help you learn from and minimize the setbacks that come with moving forward.

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I. THE COVER-UP IS ALWAYS WORSE THAN THE CRIME.

It's the favorite aphorism of Washington politicians — nearly all of whom ignore their own advice the moment something goes wrong. But businesspeople don't have to play by inside-the-Beltway rules. Every coach and service guru we consulted made the same point: the surest way to defuse a mistake is to 'fess up to it — early. Don't wait to tell the people who need to know.

"The best damage control is to preempt conclusions and complaints before they happen," says Karen Otazo, 52, president of the Kelso Group, an executive-coaching firm with offices in Los Angeles, Hong Kong, and London. Otazo's clients include executives at Motorola and General Electric. "You will develop a bank account of goodwill and build people's trust in you."

Janet Skadden is a case in point. Her boss, Barbara Beck, Cisco's vice president for human resources, warned that the exercises she planned might be, as Skadden put it, "too touchy feely" for the company's fast-moving, tough-minded culture. But Skadden, who had signed up with Cisco just six months earlier, insisted that Beck let her try them anyway. "I'd worked at Tandem Computers for 13 years, and I'd used those same exercises there," she says.

After the initial fiasco, though, Skadden knew she had to act quickly, or her boss might start to lose faith in her new colleague's judgment. So when the retreat was over, she cornered Beck, acknowledged that the exercise had gone poorly, and apologized: "I told her that I knew I'd screwed up and that I would take a good look at the corporate culture here to make sure it wouldn't happen again." Beck agreed, and the subject was closed. Three years later, Beck reports that she has trouble even remembering the incident.

One important caveat: being candid still requires a certain amount of rhetorical care. Most experts suggest that you avoid using highly charged phrases such as "I screwed up" or "It's all my fault." That much bluntness just might come back to haunt you. "Let the boss know when you've made a mistake, but say it in less potent terms than 'I blew it,'" says Karen Otazo. "Be careful of terms than "I blew it," says Karen Otazo. "Be careful of the soundbites you use, because people will remember them."

In some companies, even those serious about learning from mistakes, the M-word itself is taboo. It simply carries too much baggage. People tend to prefer euphemisms such as "teachable moment." Most of us "are brought up to think of mistakes as a bad thing," says Christopher Hart, 46, a leading customer-service guru and president of the Spire Group, a Brookline, Massachusetts-based consulting firm that advises companies on strengthening customer relationships. With his own staff, Hart uses the term "OFIs" — opportunities for improvement. "If you categorize something as a mistake," he says, "it's going to take a lot for most people to get beyond that, and that's going to hold them back from learning."

II. IF IT'S YOUR TEAM, IT'S YOUR MISTAKE.

When Christine Miyachi, 34, manager of the embedded software group at Iris Graphics Inc., a manufacturer of high-end inkjet printers based in Bedford, Massachusetts, found out that the company's about-to-be-released software contained a bug, she was livid. She marched into her boss's office to tell him about the problem. That was a good idea (see rule 1). Then she laid the blame on her group's quality-assurance testers. That was a bad idea. "I thought it was all their fault," she says today. "But the truth was, it was my fault too."

Miyachi was wrong then — and is right now. If you lead a team or run a business unit and a mistake happens, it's your mistake — whether or not you had a direct role in creating it. Taking personal responsibility is a basic test of in-the-trenches leadership. The leaders above you don't want to hear excuses, and they certainly don't respect buck-passing. "It's a waste of time," says Frank Bergandi, who manages a staff of 100 people as CEO of Objectivity. "I don't care who made the mistake. I just want to know it's getting fixed."

Indeed, precisely because it's so rare, taking ownership of a mistake is a powerful way to exude a sense of accountability. "You demonstrate that you've got things under control and that you're a leader," says Marilyn

Moats Kennedy, 54, a Wilmette, Illinois-based consultant at Career Strategies, whose clients include AT&T and Allstate. "People will forget the mistake, but they'll remember your behavior."

Christopher Hart goes one step further. He argues that individual leaders should take a lesson from companies on the cutting edge of customer service. Hart urges his clients, who range from Harley-Davidson to Deloitte & Touche, to offer "extraordinary" service guarantees to their customers. "You don't guarantee that you'll never make a mistake," he says, "but you do guarantee that your customers will be satisfied with how you correct it. That kind of responsibility can have tremendous impact."

What works for companies and their customers can work for leaders and their colleagues. Who wouldn't want to be known inside an organization as a source of "guaranteed" performance — especially when it comes to fixing mistakes? Use the inclusive "we," advises Karen Otazo, the executive coach, and you might inspire the people below you to take responsibility too. "If you cast blame, everybody will try to deny problems," she says. "But if you take the high road, your people won't be afraid to surface their mistakes."

III. FOLLOW-UP IS AS IMPORTANT AS FOLLOW-THROUGH.

Plenty of mistakes can be buried before anyone finds out. The bug in Christine Miyachi's printing software, for example, was the result of a simple coding error. Miyachi and her coworkers were able to stop shipments of the flawed program and replace it with an earlier, bug—free version. Because the next release was only a few months away, Iris never shipped the "buggy" release. And customers didn't seem to notice the omission.

Quickly remedied, with few repercussions, these mistakes are the kind that most people fix and forget. They are also the kind most likely to need — and reward — thorough investigation. Simple mistakes don't always have simple causes; they can be the result of systemic problems that will recur if not corrected. And simple mistakes often involve more than one person, which means there are issues of group dynamics to confront. "If nobody sees it, does it need to be fixed?" asks Bill Rosenzweig, 38, a partner at the San Francisco-based Venture Strategy Group, which consults with emerging companies on brand marketing and organizational development. "Well, yes, because the problem might be that nobody had been looking."

Dennis Matthies agrees. "A full explanation for a simple mistake can have many levels of analysis," says Matthies, who developed a method of "self-coaching" during his tenure at Stanford University's Center for Teaching and Learning. "A thorough evaluation often reveals something about your habits and those of your colleagues, and about the work processes at your company."

The bad news: Understanding those habits and processes means developing rigorous techniques for investigating what went wrong — techniques often much more rigorous than those required to fix the problem. It means debriefing the relevant players, analyzing their actions, and examining your own shortcomings. The good news: Little mistakes can yield big insights.

Christine Miyachi learned that lesson. After spending hours combing through old emails and retracing the moves of about a half-dozen staffers, Miyachi discovered that the minor coding slip-up wasn't an isolated mistake. It was just one byproduct of an organization-wide problem. Overworked and pressed for time, staffs in two departments were routinely taking shortcuts around their quality-assurance procedures. "None of us was going through the procedures we had designed," she says. "We all had gotten lackadaisical. We just hadn't got caught before."

As a result of her investigation, Iris developed more stringent quality controls that require each staffer to sign off before the team goes to the next level of testing. If the process uncovers any error — even "the teeniest one" — testing has to start over. "It adds a week to our release schedule," Miyachi says. "But our software is more reliable." It's a big change that grew out of a small mistake.

IV. SEIZE THE MOMENT OF TRUTH.

A luxury hotel loses track of a valued guest's reservation. An airline loses a passenger's luggage. Whenever such problems surface, there's a brief period during which front-line employees can turn a bad situation into a memorable one. If front-liners act wisely, a disgruntled customer walks away with renewed faith in the company. If they don't, the company may never get a second chance. Customer-service gurus call these encounters "moments of truth."

There are moments of truth inside the company too — rare times when people can gather to learn from their mistakes. Consultant Hart has simple advice about when to initiate these moments of truth: the sooner, the better. "Once you've captured information for people, you have to build it into their knowledge base," he says. "If you don't do it quickly, it's hard to go back to later." Hart suggests that you sit down with the group, offer a play-by-play analysis of what went wrong, and map out a plan to avert similar errors.

"If you have a process that lets you stop and recognize what you've learned, it brings things to a deeper level of clarity," agrees Bill Rosenzweig. He began to appreciate the value of "captured learning" in 1993, when he was CEO of the Republic of Tea, a specialty beverage company. A Canadian distributor proposed selling the company's products throughout Canada. Rosenzweig got so excited that he signed on before asking tough questions, such as whether the distributor would agree to maximum sales orders.

The unintended result: the Republic of Tea supplied so much tea to this new distributor that it couldn't meet orders from long-standing customers. It was a classic business mistake. "I thought that if the relationship was strong, we could always work something out," says Rosenzweig, whose correspondence with the tea company's cofounders, Mel and Patricia Ziegler of Banana Republic, was turned into the cult classic The Republic of Tea (Doubleday Currency, 1994). "But I was naive, and it wreaked havoc on our operations."

Determined to transform his personal blunder into a learning experience for everyone, Rosenzweig called a staff meeting. The goal was to develop a "learning plan" that would detail key negotiating points for future contracts. The following year, Rosenzweig struck a much better deal with an Australian distributor. "In fast-growing companies, where people are doing things for the first time, mistakes often get made," he says. "But if you embed the learning, you won't make the same mistake twice."

Frank Bergandi had a similar experience at Objectivity. Once he realized his engineering staff couldn't incorporate the software tool that he'd spent $150,000 to acquire, Bergandi, who had become CEO only a few months earlier, called a meeting of his top managers. "'We just spent six figures on something we're not going to use,'" he remembers telling them. "'What in the world are we doing?'"

It quickly became apparent that engineering, marketing, and sales needed a liaison to coordinate the development of new products. "High-tech companies often try to do everything informally," says Bergandi, who previously was vice president of North America for Informix, a developer of relational databases. "But some things here were falling through the cracks." About a month later, he created a new position, vice president of product marketing, to improve the information flow among departments. Since then, he reports, the company has released two new products — fully featured and issued right on schedule.

A single mistake often generates multiple lessons. Consider the case of Mark Benerofe, 38, vice president of programming and platform development for New York City-based Sony Online Ventures. Back in 1989, when Benerofe was editorial director of Prodigy, he dispatched two of his educational producers to handle an expert appearance for the online commercial service. The San Francisco earthquake had just hit, and Prodigy's bulletin-board manager had pulled off a small coup by booking a much-sought-after Washington, DC-based psychologist who specialized in the trauma caused by natural disasters. But technical problems meant they couldn't get the expert's office PC hooked up to Prodigy. The producers, with no experience in the pressure of live news, didn't think to take some obvious next steps. Prodigy got the interview the next day, but lost its scoop.

In a moment-of-truth meeting with the producers the next day, Benerofe spelled out what everyone needed to learn from the incident. "I reminded them that they are a part of a larger enterprise," he said. "I let them know that they needed to go all the way to make sure this live event happened, even if that meant driving the guy four miles down the road and setting up the PC at his home."

Benerofe, a former CNN producer, realized there was a lesson for him too: when you're working in a young field that merges content, design, and technology, staffers have radically different skills and mindsets, which means you can't always assume that everyone operates with the same sense of urgency. "Sending out this team was like sending documentary producers to cover the outbreak of the Gulf War," he says. "That lesson has stayed with me."

V. IT PAYS TO "MAKE" MISTAKES.

Sometimes the smartest mistakes are those that you "make" yourself — simply because it's the right thing to do. Take the case of Sara Groves Hobart and her software team, which was building a new database-development tool for Oracle. The lead programmer on the project, an especially talented employee, was having a great time building and fixing the tool's all-important source-control system. But Hobart, 36, now a senior product manager at Oracle, realized that the work was taking up all of his time, which meant other high-priority assignments weren't getting done. She took a closer look at the project and discovered that Oracle had another, well-established source-control system that included all the features the new tool needed.

Hobart understood that no one would object — or even notice — if she simply maintained the status quo. Everyone had assumed that a new tool required a new source-control system. She also understood that stopping work on the new system meant that the entire project — which, by conventional measures, was proceeding smoothly — would be viewed as a mistake. If the old system worked fine, why had her lead programmer invested so much valuable time in developing a new one? She also knew the decision would generate resistance from this programmer and create worries among his colleagues. "Nobody likes change all that much," says Hobart. "And when things are chugging along fine, the feeling is, Why change anything?" Hobart made the "mistake" and took the heat.

To be sure, the process of manufacturing mistakes requires real diplomatic skill and tenacity. Sara Hobart had long discussions with her lead programmer about his career goals. "I needed to convince him that he would be on another project that would be just as cool," she says. She also did a lot of "hand-holding" with her other developers. The Oracle manager "wisely understood that if you do it by fiat, you'll only get a lot of resistance, anger, and backlash," says executive coach Karen Otazo. "You have to allay fears, let people see what's in it for them."

Still, even the most avid proponents of doing the right thing acknowledge that there's a danger in doing it too often. "A person who is highly self-coached is aware that he or she can improve in virtually every dimension," says Matthies. "But you can't have 15,000 lessons. You have to pick those that are ripe to be learned now."

Otazo agrees: "If you're constantly tweaking, you're going to be constantly throwing people off their stride."

VI. SOMETIMES THE BEST FIX IS A QUICK FIX.

Moments of truth. opportunities for improvement. captured learning. For people struggling to keep up with the dizzying pace of life inside startups, professional service firms, and other fast-growing companies, getting smarter about mistakes can seem like a worthwhile goal that's out of reach. Who has time for official postmortems or learning plans? Especially when, as Matthies puts it, "the next round of mistakes is around the corner."

If you're adept at self-coaching, he says, you can learn the most valuable lessons from your mistakes within minutes after they happen — if you actually use those minutes to think about what went wrong. "Never miss a chance to be observant and evaluative," Matthies advises. Even groups of people can work together this way, picking up lessons without the benefit of formal sit-down meetings or elaborate lesson plans. "A good team doesn't need to do a formal evaluation any more than two musicians hanging out together do," says Matthies. "They need to be co-coaches, constantly asking one another questions like 'How are we doing?' 'What did we get out of this?' 'What did you see?'"

That's precisely what happened with the executives at US Interactive. During the course of one 20-minute conference call among President and CEO Larry Smith and his five partners, the team decided to sell the company's struggling ad-sales unit and shift the resources to their main business, which is building Web sites and helping their corporate clients develop Internet strategies. "The reality at this company is that my

partners and I share information all the time," says Smith. "So by the time we had the meeting, all I needed to say was, 'Here's the situation and here's the opportunity,' and everyone agreed."

Smith has a point — up to a point. Most experts are skeptical of people who claim that their business simply moves too fast for them to analyze their mistakes. "Speeding up the process doesn't mean turning off the reflective part of your brain, which unfortunately is what a lot of people do," says Matthies. The quick fix, he warns, usually is just a cop-out - an easy way to avoid taking a tough look at what went wrong and at what it's going to take to prevent it from happening again.

"In companies that value passion and creativity over discipline and focus, people often claim they don't have the time to evaluate their mistakes. I would argue that you don't not have the time," adds Bill Rosenzweig.

There's no mistaking the wisdom of that point.

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A version of this article appeared in the October/November 1997 issue of Fast Company magazine.

October 31, 1997 | 5:00 AM