

## Learning from Failures

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### Recent Episodes

On Thursday, 5 Aug 10, the local media <sup>(1)</sup> reported the much awaited outcome from the Monetary Authority of Singapore (MAS) in respond to the incident a month ago that left DBS & POSB customers stranded without access to ATM, Internet & Mobile Banking services for 7 hours. Although MAS has imposed several measures including getting the bank to set aside S\$230M (~US\$171M) as a buffer against similar operational risks, many net citizens have criticized that the bank has been let off too lightly by the MAS. Key online gripes centered around the inadequacy of the penalty, the bank shifting blame to its outsourced vendor, senior management not taking proactive action, delays in customers communication and the pertinent issue that the management of the Singapore-based bank has been left to well paid foreign talents for too long <sup>(2)</sup> <sup>(3)</sup>.

Much earlier, the BP oil spill has grabbed international headlines and after repeated failed attempts to plug the oil gush; BP CEO Tony Hayward continued to make public announcements that didn't help to manage the situation at all. About a week after the 20 Apr 10 explosion that lead to the death of 11 workers, Mr. Hayward was quoted in the New York Times <sup>(4)</sup> as asking his executive team; "What the hell did we do to deserve this?" During such a crisis, a true leader sets appropriate expectations and delivers and he or she does not duck responsibility by shifting the blame to others. His continued over promises and poor management of public statements let to his replacement last month.

On the same day that the press reported the MAS-DBS censure, an article entitled "Nothing to fear but fear of failure" appeared in Today newspapers <sup>(5)</sup>, a free newspaper in Singapore. The article by Richard Branson, the founder of the Virgin Group has nothing to do with the DBS fiasco or the BP oil spill but focused on how the Virgin Group learned from the mistakes it has made. More on this article later.

### Can Leaders Learned from Mistakes?

According to Phil Dourado, leadership author and founder of [www.TheLeadershipHub.com](http://www.TheLeadershipHub.com); "... allocating blame when things go wrong is a longstanding convention for maintaining the myth of leader infallibility". Mr. Dourado added that "blame poisons the organisation culture, as those below will follow the lead (resulting in) using the authority of position to cascade blame becomes the norm".

Another leadership coach, Susan Cramm <sup>(6)</sup> noted that "... every great leader I know will freely admit to making mistakes and be able to identify what he learned from each one. Most average leaders lack both the confidence to admit mistakes and the introspection and awareness to identify what they should have done differently'.

Professor Chris Argyris <sup>(7)</sup>, Harvard Business School, however, felt that well educated, high-powered and high commitment professionals are very poor in learning from mistakes. In his classic paper, Professor Argyris coined two terms "single loop" and "double loop" learning to illustrate a key point. "A thermostat that automatically turns on the heat whenever the temperature in a room drops below 68 degrees is a good example of single loop learning. A thermostat that could ask, 'Why am I set at 68 degrees?' and then explore whether or not some other temperature might more economically achieve the goal of heating the room would be engaging in double loop learning."

Many professionals have been almost always successful and so they are not good at learning from failure. When their single loop learning goes wrong, they become defensive, screen out criticism and blame others but not themselves for the failure. They are not good at double loop learning. Effective double loop learning depends on how we feel and how we think. Professor Argyris believes there is a universal tendency for us to design our actions according to four values: to remain in control, to win and not lose, to not feel negative, and to be rational. Their purpose is to keep us feeling safe and competent and happy.

In the modern organisations, individuals (CEO, executive chairman, presidents, senior managers and the likes) bring more of themselves (their thinking, ideas, feelings, personalities) to their work. In a knowledge-based economy, organisation relies on information and on the daily choices of knowledgeable employees. In these organisations, the knowledge employees must be prepared to undertake a primarily moral, not just technical task: to be open to criticism, to be willing to test their claims publicly against evidence, to accept that they too are partly responsible for the problems they are confronted with. The worst that can happen is that such individuals denied that they are fallible and adopt a blame culture organisation which over time, can only bring about a failed organisation notwithstanding the fact that it could be staffed by the most knowledgeable and learned employees.

### **Failures are Learning Experiences**

During the glory days of NASA, during the Apollo missions, the phrase "failure is not an option" was coined by the famed Flight Director, Gene Krantz<sup>(8)</sup>. Taking this attitude, Krantz and his team overcame some seemingly insurmountable challenges and created history after they rescued the crew of Apollo 13. However, unknown to many, Krantz and his team have their shares of failures and they learned from each one of them to achieve success finally.

In the article "Nothing to fear but fear of failure", Sir Branson wrote: "... one of the reasons Virgin's enterprises have been successful over the years is that we empower the staff to make mistakes – and then learn from them". He also noted that the ability to bounce back after a setback is the single most important trait an entrepreneurial venture can possess. Sir Branson concluded that: "if you can identify and learn from your mistakes, you have a much greater chance of bouncing back from them – and succeeding the next time".

During my banking career, I worked with senior management and a couple of which advocated the approach of doing things right the first time. Ideally, all of us are expected to be efficient and effective because a mistake means additional cost of rectification, failure on customer's promises and reduced productivity. And in many industries, including banking and finance; some mistake may incur a penalty from the authorities and a dent to the organisation reputation. However, I have taken on the belief that learning from a mistake is more valuable experience than trying to avoid making mistake in the first place. Since then, I developed the motto: "*Don't make the same mistake twice*" and expect the same from my fellow colleagues and team members that worked for me. My view is that if the same mistake is repeated, then learning from that mistake has not taken place. Many years later, I learned that there is a four-word phrase to the same effect: "*Only make new mistakes*".

Susan Cramm<sup>(6)</sup> shared that there are 3 lessons that are worth repeating in learning from each failure event:

#### **Admit Accountability**

If the leader believes he share some of the blame, then he must not only freely admit his wrongdoings but do so as early as possible to contain the damage, retain credibility and work out the next steps

## Step Up

Once the leader admits accountability, the next course of action is to assume control and provide the leadership role to fix the situation. Failure to do so, according to Susan will not only puts a death nail in careers but confirm to others that while the leader may understand what went wrong, he doesn't have the capabilities to make changes to improve

## Leverage Events

Finally, the one good news about bad news is that the people involved are fully motivated to change if they perceive that the leader has the right ability to lead them out of the mess. However, Susan also cautioned that the changes being implemented must be related to the issues on hand. Making sweeping organizational changes not related to the mistake send the wrong message to those who have been doing well in their areas.

## Moving On

I am sure while DBS and IBM are stepping up to learn from this incident, other banks and organisations are likewise learning from it. One individual whom I know will be particularly interested is Sir Branson who confessed that it is stories of businesses that didn't turn out so well that truly interest him as he learned much more from them.

To summarise, I quote from Phil Dourado who wrote that, "... the best leaders adopt a different perspective on failure, encouraging a *forgive and remember* culture. Firstly, you separate failure from the person – it's an occurrence, not an inherent trait. Secondly, you make it clear some failures are a desirable outcome of trying new things. Thirdly, you set in place practices for limiting damage when failure occurs and for capturing & sharing learning.

## References:

- (1) "A 'proportionate' penalty for DBS by [Today Online dated 5 Aug 2010](#)
- (2) Various comments posted by net citizens on the Straits Times Online: <http://comment.straitstimes.com/showthread.php?t=36566&page=6>
- (3) Detailed analysis by a net citizen: <http://www.wilfridwong.com/2010/08/04/digesting-the-dbs-and-ibm-detail-findings-of-5-july-outage/>
- (4) "Oil Spill Blow to BP's Image May Eclipse Costs" by [New York Times dated 30 Apr 2010](#)
- (5) "Nothing to fear but fear of failure" by Richard Branson, published in [Today Online dated 5 Aug 2010](#)
- (6) Susan Cramm is the founder and president of [Valuedance](#), a company that specializes in IT leadership
- (7) Many articles are written on Chris Argyris' works and here is one such url: <http://www.infed.org/thinkers/argyris.htm>
- (8) More details on Gene Krantz can be found at Wikipedia: [http://en.wikipedia.org/wiki/Gene\\_Krantz](http://en.wikipedia.org/wiki/Gene_Krantz)

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