

From Breakdown to Breakthrough in 3 Steps

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To lead in an unpredictable world, you have to be willing to interrupt business-as-usual

"Far better it is to dare mighty things, to win glorious triumphs, even though checkered by failure, than to take rank with those poor spirits who neither enjoy much nor offer much, because they live in the gray twilight that knows not victory nor defeat."

Theodore Roosevelt

Breakdowns are a leader's most underrated allies:

If you analyze and harness them correctly, they become raw material for breakthroughs. A twenty-year study found that thirteen groundbreaking innovations, from Nike to Club Med, from Nautilus machines to Fed-Ex, from the Walkman to the VCR, from the CAT scanner to the Post-It, all arose like Phoenixes from the ashes of breakdowns when originally conceived.

Most of us fall into four traps when the going gets tough. While these pitfalls are only human and perfectly understandable, each is counter-productive.

• Pitfall #1: Secrecy.

Because we see breakdowns as negative, even shameful, we avoid giving bad news to superiors or colleagues, and keep it secret. Whether it is a failed client presentation, a faulty product, or being behind on a deadline, our instinct is to try fixing it before others find out. **The costs of hiding breakdowns can be huge.** How could Bernard Madoff get away with his \$50 billion Ponzi scheme for so long? The smart money knew Madoff was a crook because his returns were impossibly good. But they kept their doubts quiet—to profit from what they thought was an 'insider trading' scheme. When one rival money manager, Harry

Markopolos, wrote to the SEC back in 1999, that “Madoff Securities is the world’s largest Ponzi scheme,” he was ignored.

• Pitfall #2: Blame.

Breakdowns are inevitable stations on the leader’s journey, they can make you rip out your hair, chew your nails, or yell in uncontrollable rage at everyone around you. Though a leader’s ultimate test is how he or she copes in a crisis, the smartest CEOs have been known to regress and throw temper tantrums when the world seemed to turn against them. Jeffrey Skilling was so famous for his tongue-lashings that Enron employees were simply too afraid to tell him the truth. Even whistle-blower Sherron Watkins expressed her concerns only anonymously—and she was one of the brave ones.

Despite a decade of shareholder activism, Enron is far from alone. “I was never allowed to present to the board unless things were perfect,” said a former Xerox executive. “You could only go in with good news.” Whoever gave bad news risked being blamed—or fired: the directors simply killed the messenger. And when they forced management to confront its poor performance, executives blamed short-term factors—from currency fluctuations to trouble in Latin America. By the time then-president (and later CEO) Anne Mulcahy came out and spoke the truth—the company had an “unsustainable business model,” she told analysts in 2000—Xerox was already flirting with bankruptcy. This is the second pitfall when breakdowns happen: **you blame yourself, your colleagues, or the game as a whole**—“I am wrong, they are wrong, or it is wrong” (“it” being the task, the project, your job, or your entire organization).

• Pitfall #3: Hope.

Everybody simply waits, hoping that the breakdown will somehow disappear “if we just let it be”. It probably won’t. But often nothing happens, especially in organizations where people pass the buck, unless someone—a leader—takes charge and cuts through the apathy.

A survey of failed CEOs found a surprising commonality among them: they wait instead of facing a breakdown head-on. “What is striking, as many CEOs told us, is that they usually know there’s a problem; their inner voice is telling them, but they suppress it. Those around the CEO often recognize the problem first, but he isn’t seeking information from multiple sources.” Worse, when CEOs feel threatened, “they focus even more on what brought them their success,” says leadership expert Warren Bennis. “They dismiss anything that clashes with their beliefs.” Such attachment to old solutions is, of course, the exact opposite of what would transform the breakdown into a breakthrough.

• Pitfall #4: Hedge.

Perhaps worst of all, you adjust (and usually lower) your goals instead of stretching to fill the gap. But far from being the problem, the commitment is in fact the solution. Whenever you commit to a vision, you are bound to have a gap between present and future. In fact, breakdowns cannot exist without background commitments. If you are not committed to anything, you may have problems (perhaps turn into a vegetable), but you will not have breakdowns (or accomplishments) of size.

Fact is, breakdowns are directly correlated to breakthroughs. When Pfizer tested 'SILDENAFIL', trials of the new heart medicine showed unwelcome huge side effects in male patients. The drug enhanced the smooth muscle relaxant effects of nitric oxide, a chemical normally released in response to sexual stimulation.

If Pfizer managers had been ashamed, if they had conspired to keep the failure a secret, if they had done nothing and waited, or if they had wavered in their commitment to make a blockbuster drug, they would have preserved the status quo and lost the company lots of R&D money.

Instead they made noise out of a breakdown—a malfunctioning heart drug—and a breakthrough was born. The new drug posted \$1 billion in sales in its first year and became a household name: 'VIAGRA'.

So how do you turn breakdowns into breakthroughs? It's a 3-step process:

Step 1: Declare a Breakdown.

The first step is to make the breakdown public and interrupt business-as-usual. **Your declaration of the breakdown forces you and your key stakeholders to confront the gap between current and desired performance. A breakdown in this context is not a thing; it is a speech act, a wake-up call that puts you back in the driver's seat.** Churchill did this in the 1930s: He kept warning his compatriots of the Nazi threat—until he finally rose to prime minister at sixty-six, when most of us retire, and managed the breakthrough of vanquishing Hitler.

Those who don't quite have Churchill's boundless self-confidence may need to work through nagging questions and doubts like, "Will they think I'm paranoid if I

declare the breakdown? Will they co-operate or make me look stupid? What if I'm wrong? Will I get stuck with managing the breakdown if I declare it? Will I look like a party-pooper? This is just plain too hard." To cut through such understandable thought patterns, you have to be willing to become a pain in the neck for a while. Set up a big flipchart right at the office entrance or send an email to the right people, in bold letters:

I DON'T CARE WHAT YOU THINK OF ME, BUT...

WE'RE AT \$80 MILLION AND IT'S JULY

[Declare the Breakdown]

WHAT ARE YOU GONNA DO ABOUT IT?

Step 2: Assert your Background Commitment.

Keep in mind your underlying goal, without which there would have been no gap. By declaring the breakdown, you serve public notice that it's unacceptable in relation to a particular commitment. Remember, and help others remember, why everyone committed to the goal in the first place. **What would be missing in your lives, organization or society if you stopped?**

Step 3: Search for Options and declare the Breakthrough.

Once you have declared the breakdown and recommitted your team to the original goal, the third step is to brainstorm extraordinary actions.

Don't be afraid to rattle people so they shift focus, think newly, and see unconsidered opportunities to fill the gap between the status quo and the desired result.

One night many years ago, when Philip Anschutz laid the groundwork for what was to become a multi-billion dollar fortune, he got a call. A drilling supervisor at one of his Wyoming oil rigs gave him the bad news: the well was on fire. And if the fire kept burning, it would bankrupt him.

Common-sense crisis management in such a case is to limit your exposure, sell off the bad investment and get out of there quickly. Anschutz did the exact opposite. He saw the bright side: the fire meant he had finally struck oil. He rented a plane, flew to Wyoming, and by 8:00 A.M. the next morning gambled more money on his oil venture—a lot more. He bought as much land around the burning well as he could. He hired Red Adair, a legendary oil-field firefighter, to put out the blaze, and invited a Hollywood studio to shoot the episode for the John Wayne thriller “HELLFIGHTERS.” When he recalled the fire, Anschutz said, “There’s always a point that if you go forward you win, sometimes you win it all, and if you go back you lose everything.”

According to Churchill, “There are two types of people: those who see difficulty in every opportunity, and those who see opportunity in every difficulty.” What we need now is the latter type.

ACTION: Fail intentionally:

Take on something at which you know you’ll fail.

Debrief: what happened?

What are your observations?