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## The Veiled Value of Oopses

By Robert Cialdini, Ph.D.

A certain kind of awe is due to the turnaround artist who can turn bad into good—lemons into lemonade, straw into gold, nuisance by-products into "new sense" buy products. That is especially so when the bad is some form of failure that gets transformed into consequent success. Note that the operative term here is *consequent* success.

We're not referring to *subsequent* success of the "try, try again" variety. We're talking about faults that become game winners precisely because they were faulty. How can

we achieve those up-from-the-ashes victories? There are several ways to make errors bear fruit. We'll cover them all in subsequent IIR articles. But, the easiest to employ involves identifying the pertinent mistakes that *others* have made. Let's start there.



### Learning from and Leveraging the Mistakes of Others

Charlie Munger is both brilliant and wise—a daily double that yields big, big payouts. It is because of those conjoined traits that he is Warren Buffet's partner and most trusted advisor within the investment firm of Berkshire Hathaway, which over its 44 years of operation has been successful at levels never before seen in that industry. On several occasions, I've benefitted from hearing him speak on the topic of good decision-making. Most recently, I attended his DuBridge Distinguished Lecture at Caltech that, while covering a range of issues, touched repeatedly and informatively on this vital topic. But, for me at least, his most instructive comment came during the follow-up Q & A period, when he was asked to describe what he does to ensure that any choice he makes is likely to be a sound one. He replied simply, "I review my inanities list." Mr. Munger keeps a file of foolishness...filled with flops and the fatal fumbles that brought them forth. Rather than following the conventional wisdom of identifying and imitating the shrewd decisions that have led to business successes, as chronicled in such best sellers as *Good to Great*, *In Search of Excellence*, and *Made to Last*, he's chosen to spend his time identifying and avoiding the inane decisions that have led to business blunders. Why might his be a prudent strategy for you as well? I can think of several reasons.

First, large scale achievements can rarely be attributed to any lone factor. The edifice of great success is normally constructed of numerous well-crafted and interlaced components. So, it would be difficult indeed to duplicate them all in your business

efforts or to specify the decisive one. But, that's not the case with mistakes. A single piece of folly—whether caused by a lack of essential knowledge, an overblown belief in one's abilities, or a naïve set of economic expectations (“This speculative bubble is different from all the others.”)—can bring everything crumbling down. It makes sense then to develop your own “inanity list,” stocked with the clear (in retrospect) business missteps of others, and to consult that list whenever an important choice arises. Listing the struts of business triumphs will be potentially helpful too; but any sole entry on the list won't have nearly the potential game changing impact.

Second, even though we have been brainwashed to believe that positive information is always better than negative information, that's simply not true. In fact, after an extensive review of relevant research, a respected group of scholars concluded that we “attend to, learn from, and use negative information far more than positive information.” What's more, they were able to cite evidence of this imbalance as early as infancy (Vaish, Grossman and Woodward, 2008). But, that's not all: Downside information is more memorable and is given more weight in decisions (Baumeister et al., 2001). Accordingly, if you want to create an inventory of items that is likely to grab your attention, be easy to learn, linger in memory, offer instructive implications, and spur you to action, it should probably look a lot like Charlie Munger's list.

Third, because your list will be comprised of the gaffes that someone else has made, it will be easier to recognize them for the clunkers that they are. If they were your own mistakes, you'd have to fight—often unsuccessfully—the siren inclination to convince yourself that they weren't mistakes at all but just instances of bad luck or unfortunate timing. Finally, the outward-directed character of others' prior lapses in judgment also allows you to use them as highly effective teaching tools for members of your teams because, without criticizing your teammates directly, you can expose them to the particularly enlightening quality of errors. Take, for instance, the results of an instructional program for firefighters, which employed case studies that exposed trainees to the past choices of other firefighters. One group of the participants was given training focusing them on historically successful firefighting choices and on how to adopt them, whereas another group of the participants was focused on historically unsuccessful choices and on how to avoid them. For all the reasons already described—the greater attention, retention, comprehension, and motivation associated with mistakes—those who received the error-based training scored significantly better on subsequent tests of their judgment and adaptive thinking in firefighting situations (Joung, Hesketh, & Neal, 2006).

## **Conclusion**

Jim Collins is the impressively gifted author of big selling business books such as *Good to Great* (2001) and *Built to Last* (2004) that describe what others have done right to achieve significant commercial success. He's convinced that access to this kind of information will help you achieve success as well. Charlie Munger is at least as renowned for his own intellectual gifts and business savvy. Yet, he recommends creating (and regularly consulting) a list populated not by instances of what others have done right but by instances of what they've done wrong. Is there a way to reconcile these seemingly opposing recommendations from two great business minds? There may well be. It's noteworthy that Collins' latest advice, contained in his book *How the Mighty Fall* (2009), spotlights the major reasons that businesses fail—for example,

denial of risk, unwarranted haste, and lack of intellectual discipline. I'd wager that vivid occurrences of each of those reasons exist on Charlie Munger's inanities list. It appears, then, that both men are saying something similar after all—that one thing that leads to right moves in business is to have ready access to a catalog of others' wrong moves. Whether that catalog exists between the covers of Jim Collins' recent book or in a file you assemble on your own, the key is to refer to and use it systematically when making important choices. Failure to do so would ignore consistent research findings and sage advice regarding the value of documented errors...and could be a mistake worthy of your list.

### **Sources**

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