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Ignorance of differing cultural reactions to failure can stunt your company's growth.

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It doesn't take much experience of life to realize that we vary enormously in how we perceive and respond to failure, and that a great many of those perceptions and responses are shaped by the cultures in which we grew up or now work. Of course, stories about cultural differences and stereotypes have long been a staple of dinner-table conversations and the source of much amusement. But Western multinationals are sinking a huge amount of money into India, China, and Brazil, and emerging giants in those countries are setting up operations both in developed world markets and in other emerging markets. Any business with global aspirations must take seriously cultural differences in general and around failure in particular.

Those differences are a central theme in our research. Drawing on the findings of an ongoing global survey that THT Consulting has conducted over the past 30 years (the results were first published and discussed in *Riding the Waves of Culture*), we have identified the dimensions along which people from various cultures differ regarding failure. Here we discuss in detail the five most important of those dimensions and describe how some forward-looking companies are managing to reconcile cultural differences to create a powerful platform for innovation.

1. Do We Control Our Environment or Does It Control Us?

This dimension determines whether you manage failure with prevention or with response. Cultures that view the environment as *internally* controlled—by an individual or a company—believe that good design and planning can help to avoid most failures. Cultures that view the environment as *externally* controlled accept failure as inevitable and believe that survival depends on developing the skills to

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respond to it quickly.

We assessed the degree to which respondents in our global survey felt they had control over their lives and found considerable variation. Almost 90% of Israeli respondents and about 80% of those from the United States, Britain, Australia, and Canada felt that they had a strong degree of control over their environment. Predictably, perhaps, only 40% of the Chinese and 50% of the Russians felt they had such control. But the stereotypes don't always hold. Some 70% of people in both South Korea and Indonesia felt they had control. Clearly, there are advantages and disadvantages to both views. People who feel that control is internal see failure as a personal threat and may become authoritarian or manipulative to increase their comfort level. They may write lengthy contracts that cover every conceivable contingency and hedge every clause. But they are less wasteful, because they tend not to repeat mistakes. Cultures that are more fatalistic are also more adaptable. They respond quickly and efficiently to failure. But they tend to leave the causes of failure untreated, so they have to pick up the same pieces again and again, which can be very expensive.

Obviously, a company that combined prevention with adaptability would be a formidable competitor. Emirates, the national airline of Dubai, is a good example. During training exercises, Western pilots try to avoid failure, even though "crashing" in a simulator costs nothing. They propose changes in cockpit design and procedures and change routes to minimize the likelihood of disaster. By contrast, Arab pilots who are given a chance to "fail" without consequences will take risks and respond to them. They want to experience a crisis situation—such as how the controls feel seconds before going into a stall. They'll pass through a virtual cloud rather than around or over it. Emirates learns from pilots of both kinds to prevent failures and improve responses to them, making it one of the safest airlines in the world.

2. What's More Important, Rules or Relationships?

How strictly we adhere to rules and how eagerly we make them vary greatly from culture to culture. *Rule-centered* societies like the United States and Britain feel that general rules should have global application and that all comers should compete on a level playing field. *Relationship-centered* countries like China, Russia, and India value bonds with family and friends above ab-

stract rules: Particular circumstances and the people involved may dictate the response to a situation.

Countries in the former category probably better satisfy the desire for distributive justice, but they may become obsessed with rules and regulations—which explains in part why the United States has so many more lawyers than Japan does. Countries in the latter category tend to resolve failure privately, through relationships. The Swiss, North Americans, and Australians are the most rule-oriented, with 70% to 80% of respondents believing that exceptions to rules should not be made to help friends. In the BRIC countries, by contrast, only 25% to 40% would put the rule above the person.

We often see these approaches collide in global organizations, usually in interactions between a headquarters focused on rules and principles and local offices that are highly sensitive to their relationship networks. Typically the local offices appear to conform to rules and principles while actually following local customs. As long as broad financial expectations are met, no one asks questions. But that means the organization as a whole cannot learn from local successes and failures.

A relationship-centered organization, with its tolerance of failure, can encourage innovation and learning. But it may also be wasteful, and its employees may be reluctant to compete with friends, curtailing entrepreneurial opportunities. A rules-centered organization provides clarity and, often, greater cost efficiency. But it also breeds inflexibility and mountains of red tape.

Companies can combine the virtues of both by recognizing that rules and exceptions are mutually sustaining. An exception to a rule may contain the seed of a new rule or illuminate the limits of the old one. Using a technique called "management by exception," which draws attention to any surprise event falling outside existing rules and expectations, managers can strengthen some rules and obviate others. And the existence of rules helps to make exceptional relationships meaningful.

A case in point was provided by a global financial services firm we advised. The company, which was based in Germany, stated that its main value was integrity. But its employees' interpretation of "integrity" varied enormously. Americans saw it as sticking to principles even if that meant being hard on friends. Koreans and many other relationship-centered employees believed that it was best expressed by helping friends

even if that meant bending a principle or two.

In the course of several workshops, we uncovered ways of reconciling these two views. It was a Brazilian employee of the firm who pointed out that bending a rule for a friend can be used to motivate that friend. Suppose your friend has been performing badly. You can say you will fudge his assessment, but only this one time. Indeed, the performance criteria at his next review will actually be tougher—though you are prepared to mentor him if he’s willing to try to improve and meet them. In this way you demonstrate both loyalty to your friend and commitment to the rules. Meanwhile, he is motivated to perform better—which is essentially what you hoped to achieve in the first place.

3. Are Failures the Responsibility of the Individual or the Team?

In *individualistic* societies like the United States, workers are very independent and even compete with their colleagues. Although internal competition can be organizationally toxic, it can also be highly productive, especially in businesses that compete on their ability to sell. Naming a Best Salesperson of the Quarter at company award ceremonies helps to boost sales targets.

At the other end of the spectrum are *communitarian* countries, in which people take responsibility for errors as a group, even when only one member is involved. At the Indonesian subsidiary of a U.S. multinational we studied, a local worker had made a serious error that forced the company to redo an entire production batch. The expatriate unit manager asked the Indonesian plant director who had made the error and what action was being taken against her. The manager was amazed when the plant director claimed not to know, saying, “The whole work group has accepted responsibility.”

“But if everyone is responsible, then in effect no one is,” the manager argued. “They are simply

protecting one another’s bad work.”

“That is not how we see it,” the plant manager replied. “The woman concerned was so upset that she went home. She tried to resign. Two of her coworkers had to coax her back again. The group knows she was responsible, and she feels shame. The group also knows that she was new and they did not help her enough or look out for her or see that she was properly trained. That is why the whole group has apologized. They are willing to apologize to you publicly.”

As the story illustrates, communitarianism can provide a nurturing learning environment. Through team membership we support people to become better individual workers. At the same time, someone who “lets the group down” will experience shame in a communitarian culture. The downside, of course, is that companies dominated by a sense of the group can choke off individual creativity and the striving for personal excellence.

For communitarianism to work well, a group’s interests and values must strongly align with the company’s objectives—as they clearly did in the Indonesian example. But it is also important that a group’s learning spreads, which may mean assigning responsibility for a failure to an individual. In such a case it may be possible to remove the stigma by redefining the failure as a learning opportunity.

What we call “co-opetition” can bring some communitarianism to an individualistic company. At IBM, for example, in addition to receiving bonuses based on their volume, salespeople are rewarded for making good presentations to colleagues on lessons learned from client interactions. The group’s performance has risen by 30% since this program was introduced.

We asked our survey respondents whether mistakes like the one made by the Indonesian worker should be borne by the individual or by the group. Russians turned out to be the most

A Failure Culture Survey

Asking employees the following simple questions can help you assess how failure is viewed across your organization. You can determine your own orientation and compare your responses to country stereotypes from the Trompenaars database at www.thtconsulting.com/hbr, where you will also find access to a comprehensive diagnostic developed by our colleague Charles Hampden-Turner.

1. Are failures a fact of life or can they be avoided by planning?
2. What would you do if a friend made a professional mistake on which you needed to report publicly?
3. Is it individual creativity or team consensus that is most important for avoiding mistakes?
4. Do you address criticism to the task or to the person?
5. Is the seriousness of a mistake affected by the person who made it or not?
6. Are failures attributed to the person or team involved or to the department head?

individualistic: Almost 70% would blame the individual. Australians (58%) and Americans (54%) came in second and third. Danes were significantly more individualistic (53%) than either the British (48%) or the Dutch (43%). Among the most group-oriented countries, China was slightly more individualistic (36%) than India (35%), Japan, and Brazil (both below 35%), which was unexpected.

4. How Much Do We Identify With Our Failures?

People in *non-identifying* cultures are not afraid of failure. They compartmentalize, viewing a failure as simply an idea that didn't work. Furthermore, they celebrate failure as a learning opportunity. They are, however, more likely to jump to conclusions too quickly, and may waste a lot of energy. For people in *identifying* cultures, failure is a bigger deal. When we asked our survey respondents whether they blamed the person or the idea, we found that 72% of the Dutch and 66% of the Americans blamed the idea, whereas only 31% of the Indians, 29% of the Germans, 24% of the Chinese, and 12% of the Japanese did.

Consider the dynamic we observed between American and German engineers at the semiconductor giant AMD, which we advised shortly after it had set up operations in Germany. The U.S. semiconductor industry can attribute much of its success to the integration of individual creativity with teamwork and to the successful use of failures. When AMD arrived in Dresden, programs were executed in a stereotypical American manner: Videos, workshops, and pep talks were done the "Silicon way" and combined with brainstorming sessions in the so-called war room.

When we interviewed American employees, we heard many complaints about the slowness, lack of creativity, and risk-averseness of their German counterparts when it came to exploratory ideas. The Germans, in turn, claimed that the Americans were too hasty in their behavior, throwing clearly underdeveloped ideas into brainstorming sessions. The reason for this tension quickly emerged in our workshops. Because the Americans separated the ideas from the people, they readily accepted criticism during a brainstorming session: "My idea was hacked into pieces. No problem. On with the next idea." But to the Germans, this approach was misguided: "All that exaggerated business about the importance of effective meetings and brainstorming. Let's just do our homework and everything will work out."

AMD found a way to reconcile these views. In hindsight the solution seems simple. Time-outs were built into each meeting, which allowed the Germans to swap and criticize ideas in private and in German. Failures in the smaller, familiar group were acceptable. Their ideas were then collated on Post-it notes and shared with the Americans. The Americans were astonished at the resultant German creativity.

5. Do We Grant Status According to Performance or Position?

In *achieving* cultures, people value others according to their performance, whereas *ascribing* cultures emphasize a person's position in the organization and the society. This difference plays a role in determining the extent to which people are willing to show initiative and risk failure.

In achieving cultures, people take a lot of personal initiative—but they are often very protective of their achievements, which can play out in the broader culture as a strong sense of property rights and much litigiousness. And if achievement is valued too highly, people may exaggerate their own successes, take credit for those of others, or even game the system. (One of us was at a leading business school recently and came upon an MBA student leaving the library with eight books. When asked why he had so many, the student explained that he was more interested in making sure no one else read them than in reading them himself.) In an overachieving culture, innovation may be stifled when the willingness to risk failure is moderated by a fear of not achieving. To prevent abuse, managers have to be very careful and visibly impartial in assigning credit for successes and failures.

In ascribing cultures, people avoid taking responsibility for actions when their superiors are around, because they gain little—and may actually incite hostility—for successes, whereas they are vulnerable if they make mistakes. Employees first discuss their actions with the boss; once they get the go-ahead, the boss takes responsibility for success or failure. In an achieving culture, if the goal demands it, people will take action and inform the boss later. If things go wrong, the boss will judge whether the risk was reasonably assessed and the action had the potential to achieve the goal.

We heard the following story from the head of process control at a British dairy company. A man we'll call Malcolm, one of the plant's best process operators, knew—like his colleagues—how to read the meters and intervene when

necessary. What made him special was his well-developed intuition. If he stopped the production process straightaway when he sensed something was odd, his prompt action saved the company money in 99 out of 100 cases. On night shifts, when his boss wasn't around, he would take the initiative, but on day shifts he would go to his boss for direction. Telling him that he was causing a lot of unnecessary loss by delaying a shutdown for even five minutes didn't change his behavior. The company was able to overcome Malcolm's hesitation by giving him the title of supervisor, empowering him to decide when to shut production down whether his boss was there or not.

A similar gambit worked for an achievement-oriented U.S. bank operating in highly ascribing Argentina. When the American manager of the Argentinean subsidiary complained about the low motivation of his administrative staffers, we advised him to take a look at their job titles, which had been imported from the United States: Departmental Secretary I, II, and III. After the highest-ranking secretary was promoted to Personal Assistant and the others were given titles that made clear the positions of those for whom they worked, a more positive atmosphere quickly developed. The manager told us, "Not only was it in line with their culture, but best of all, it did not affect my budget."

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Of course, countries—and even industries—are not the only units of cultural comparison, and they may conceal a wide variation across some of the dimensions. The failure culture of a Japanese car company, for example, may resemble GM's more than Sony's. Variations within companies may arise from people's functional affiliations or hierarchical status. To manage failure as part of a learning strategy, therefore, you must understand just where the variations are most salient in your company. You'll need to conduct research at many levels across your business units, distinguishing by function, business line, hierarchical status, and geography. But at any organizational level, the cultural dimensions we have described here will give you a strong framework for your enquiry.

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