

# REFLECTONOMICS

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LEARNING TO WIN

# EXECUTIVE SUMMARY

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We have found that organisations believe that learning and reflection are important, but see few examples where that belief has been successfully translated into a winning learning culture. This white paper draws on the authors' personal experience of high-performance environments as well as extensive consulting work, academic research and personal interviews to set out the business case for organisational learning and the link to high performance. It also identifies three key factors which are common to learning organisations and presents six evidence-based lessons for readers to implement in their own organisations.

## INTRODUCTION

Why does the biggest hedge fund in the world video every meeting? How did a manufacturing plant blowing up turn out to be a good career event for a previous CEO of GE?

It's all down to 'reflectonomics' – the value of learning in driving performance. Organisations often make a lot of noise about learning and most people appear to intuitively believe that reviews, learning and reflection are good things. However, we see surprisingly few examples of organisations who have managed to successfully overcome the barriers of competing priorities, defensive behaviours and sufficient 'know how' to make learning into a winning habit. At Mission Excellence, both our consulting experience, and our previous military careers, tell us that 'learning to win' is a key driver of high performance. In this paper, we explore the business case and describe the critical success factors in leveraging learning to accelerate performance.

## LEARNING TO WIN - THE ULTIMATE COMPETITIVE ADVANTAGE

*'An organization's ability to learn and translate that learning into action rapidly,  
is the ultimate competitive advantage'<sup>i</sup>*

**Jack Welch, former CEO of General Electric**

### CONTRIBUTORS

To inform our thinking, we supplemented our experience with academic research and personal insights from a diverse group of individuals, well-qualified to have an opinion on the reality of 'operationalising' organisational learning:

- Brian Dillon. Former commander of the London Metropolitan Police firearms unit who developed a national Police Critical Incident Safety Review process.
- Craig Donaldson. CEO of Metro Bank, the fast-growing and only genuine start-up insurgent in UK high-street banking for 100 years.
- Steve Andrews. Director within the NHS specialising in culture change and leadership who led an award-winning programme at UCL Hospital Trust to develop a learning culture.
- Dr John Thorogood. Former oil exploration operations project manager, who was responsible for initiating an organisational learning programme within the BP drilling organisation in the early 1990s.
- Tarun Gidoomal. Co-Managing Director, UK Office, Next Jump - an e-commerce supplier of benefits schemes to 70% of the Fortune 1000, and a high-profile corporate case study in organisational culture.

## THE THEORY

Jack Welch's quote may intuitively feel true but it's often difficult for organisations to completely isolate the effect of reflection and prove its impact quantitatively, whether financially or by other performance metrics. However, the academic case for learning cultures has been comprehensively made on both the individual and organisational levels over many years. As far back as 1962, Kenneth Arrow, a Nobel Laureate in economics, published *The Economic Implications of Learning by Doing*<sup>ii</sup> to explain the correlation between learning and productivity; more recent examples range from the Centre for Creative Leadership's 70:20:10 model<sup>iii</sup> to Peter Senge's seminal 1990 book *The Learning Organisation*<sup>iv</sup>.

The research is quite specific about the benefits. Edward Hess<sup>v</sup>, Jerry Porras and Jim Collins<sup>vi</sup>, and several other independent studies of consistently high-performing organisations, have found that learning pays. According to Hess, high-performers were characterized by 'relentless, constant improvement' alongside strong engagement, culture and leadership behaviours. Collins and Porras found that consistent long-term high-performing companies '*engaged in experimentation and learned from trial and error*' and '*relentlessly asked themselves how they could improve themselves to do better tomorrow than they did today*'.

## THE PRACTICE

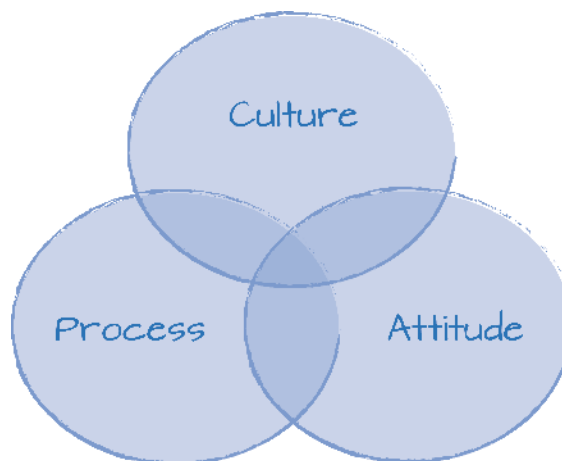
Ray Dalio, the founder of Bridgewater Associates, is arguably the most successful hedge fund manager in history<sup>vii</sup>. He attributes the basis of this success to feedback loops – the ability to learn and continuously improve. Everything from financial investments to human resources is based around learning. The mantra of the company is ‘radical transparency’. Hess relates Dalio’s belief: ***‘the difference between bad and great organisations is generally the frequency, quality and management of feedback loops’***.

Craig Donaldson at Metro Bank is another advocate. For up to 3 hours every fortnight, he and his executive team spend time listening to stakeholders, alternating between ‘the voice of the customer’ and the ‘voice of colleagues’. They’re the fastest growing bank in the UK – since opening their first branch in 2010 they have grown to almost one million customer accounts and 50 branches, successfully floating on the London Stock Exchange in 2016.

The performance of Next Jump is a genuine ‘good to great’ story of cultural change over the last 10 years. Senior executives are convinced that the key driver of their success is a huge change in culture underpinned by the same ‘radical transparency’. Humility and self-awareness are prized traits and are actively assessed and developed. The outcome is an organisation powered by truth, continuous improvement and personal development. And stellar performance.

At the opposite end of the spectrum, a failure to learn can have severe consequences ranging from the commercial (Kodak, Nokia) to the human (Texas City, UK NHS) to the reputational (all of above). Kodak and Nokia were undone by complacency and failure to adapt (for which learning cultures provide excellent antidotes) while the Texas City refinery explosion<sup>viii</sup>, and several UK NHS reports into major failings<sup>x</sup>, were all characterised by significant evidence of failure to learn from previous similar experiences.

In summary, we found extensive evidence to support the case for organisational learning, both in performance returns and mitigation against failure. However, genuine learning organisations remain the exception; it’s not a switch you can turn on. How does one leverage the benefits operationally? We researched best practice in many fields and reflected on our own experience to develop a clear simple approach which can be applied by managers and leaders in any organisation:



**Reflectonomics building blocks: Culture – Attitude – Process**



## CULTURE

### Lesson 1: Role model learning behaviours.

*'Leadership and learning are indispensable to each other.'*

**John F. Kennedy**

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The attitude and approach of leaders was the single biggest factor in building a learning culture across all the organisations we studied. Without the right leadership role-modelling, policies and processes are likely to be just meaningless words.

Ray Dalio of Bridgewater published a set of principles<sup>\*</sup> to share his approach to life and management. His policies include filming every meeting and giving immediate feedback on colleagues' performance. Dalio holds himself to the same bar as everyone else; Hess describes him receiving an email from a subordinate critiquing his performance at a business development meeting. That concept bears some reflection; what is your comfort level with junior colleagues challenging you that directly?

Donaldson provides a similar example of role modelling learning behaviours at Metro. He encourages all staff to challenge him on behaviours and decisions which might be inconsistent with the organisation's stated values and responds personally to any such challenge. By his own admission, this is not always easy – he has to pause and reflect to deal with any initial internal defensiveness, and has had more than once to eat some public 'humble pie'.

Jack Welch describes how his first big mistake, an explosion at a manufacturing plant for which he was responsible, was dealt with sympathetically by his boss and he kept his job – an unexpected outcome. Two consequences paid dividends throughout his career at GE. Firstly, he learnt a lot about improving manufacturing processes. Secondly, and possibly more importantly, he learnt about the role of a leader in creating a safe learning environment. He writes of his big mistakes: ***'I talked about them openly in order to show that it was ok to take swings and miss, as long as you learned from them.'***

The Red Arrows' debrief process always starts with the Team Leader highlighting his own mistakes so that the team can understand how they might have been affected. This sends a very powerful message: it's ok to have made mistakes. Google also apply this concept; an internal study of their top performing teams<sup>xi</sup> revealed some common factors that differentiated them from other teams. At the top of the list, by some way, was 'psychological safety'<sup>xii</sup>. The teams that felt like they could take risks and make mistakes without fear of retribution were more likely to innovate, created more revenue and were rated by executives as more effective.

Our experience is that despite the case for learning, within many organisations across all sectors, blame cultures are alive and well, and that positive examples of honest, open feedback tend to be localised. In addition, we observe that few organisations seem to take the time to reflect on activities that had positive outcomes, therefore associating after action reviews with 'something went wrong' rather than with performance gain.

Building a learning organisation is a cultural issue and anything about culture is also about leadership. That means role modelling the requisite behaviours.



## Lesson 2: Incentivise learning.

*'Where there is fear, there will be wrong numbers.'*

**W Edwards Deming**

For some organisations or groups, learning is recognised as important because there are high consequences of failure for either the organisation (e.g. aviation or the nuclear industry) and/or the individual. As Brian Dillon said, *'the one pulling the trigger has a vested interest in getting it right every time.'*

Others who tend to be intrinsically motivated to continually improve are groups or teams in highly competitive environments where small gains in performance can make big differences in outcomes. The most successful sports teams, such as British Cycling, have what Matthew Syed terms a 'growth mindset': a drive to experiment, reflect on how to improve and one which sees the contribution of failure to accelerating performance<sup>xiii</sup>. But what about those where the stakes aren't so high or the benefits so obvious? As with many behavioural issues, you will often get what you reward.

At VW under CEO Martin Winterhorn, a 'no failure' culture pervaded, where fear was the preferred means of motivation. This led to engineers creating ways to defeat the testing mechanisms rather than admit their engines could not pass the emissions testing<sup>xiv</sup>. When this was uncovered, it almost irretrievably damaged the reputation of one of the best-known car manufacturers, has cost them over \$15 billion so far and is likely to cost far more when all the private claims and global government fines are tallied up. Similar themes of culture, reward and recognition are clearly identifiable in the Salz Report<sup>xv</sup> into the culture of Barclays bank at the time of the LIBOR rigging scandal.

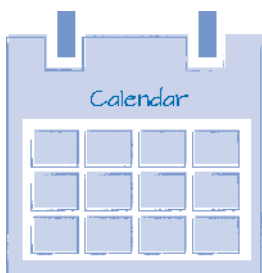
Dalio and Welch are not the only leaders who saw learning differently. After weeks of seeing 'all greens', Alan Mulally at Ford cheered the first time a manager nervously flagged up an 'amber' on the project status traffic light system<sup>xvi</sup>. Eli Lilly, the global pharmaceuticals company, holds 'failure parties' to celebrate innovation even when it doesn't succeed. Etsy, the online global craft marketplace, holds a 'blameless post-mortem' after every technical failure<sup>xvii</sup>.

Do not confuse 'no blame' with 'no accountability' though. Where learning requires action, individuals must be accountable for implementation, and recklessness and unprofessionalism must still have consequences. However, if you want to send a message about honesty and transparency, then reward and recognise them.

## Lesson 3: Normalise learning.

*'We are what we repeatedly do. Excellence then, is not an act, but a habit.'*

**Aristotle**

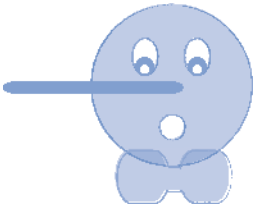


Time pressures are commonly identified as the primary barrier to learning; our experts had seen or implemented various methods of driving reflection into daily business, all of which had similar underlying principles.

The Red Arrows conduct a debrief after each training sortie or display. This is regarded as a core part of the task; the mindset is that the task simply isn't complete without it. Firearms response teams hold a 'hot' debrief as soon as they finish an operation to reflect on events while they are still fresh in everyone's minds. At Next Jump, 360 feedback is a routine part of the weekly work cycle.

East and North Hertfordshire NHS Trust hospitals have a 'good enough' approach to addressing the availability of medical cross-functional teams; as long as there is learning value, the after-action review will take place even if only 50% of those involved are present. Additionally, they have replaced the 'Any Other Business' item on their management meeting agendas with a debrief to build review of their recent performance into the management culture.

For longer and multi-stakeholder projects, it is important to plan the review meetings in at the outset. Identify bounded cycles where there would be a clear benefit in capturing learning and get the debrief dates in diaries in advance. Making learning events into organisational norms divorces reviews from an association with failure.



## ATTITUDE

### Lesson 4: Prioritise attitude and skills equally (in recruitment, selection, assessment and promotion).

*'Truth – more precisely, an accurate understanding of reality –  
is the essential foundation for producing good outcomes'*

**Ray Dalio, founder of Bridgewater**

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We identify three critical success factors in accelerating learning and performance: humility (an acceptance of the potential to learn), drive (a desire to improve) and objectivity (to see the evidence through a neutral lens). These factors are all attitudinal and are, to some extent, choices. The choices can be influenced by culture and leadership, but it certainly helps if you've got the right raw material.

At both the Red Arrows and Bridgewater, learning cultures start with the recruitment process, where team members are selected equally on skills and attitude. Both organisations seek evidence that people are open to learn and improve – Syed's 'growth mindset' – rather than those who may be very good, but think they are already the finished article. Syed's studies of criminal cases, economics, politics and medicine reveal the human tendency to stick to our convictions in the face of evidence to the contrary. And the impact gets more severe if this is absent. A study of major failures in corporations by Sydney Finkelstein<sup>xviii</sup> found that as seniority increases so too does the likelihood of error denial. Syed suggests the reason is clear – those at the top have the most to lose.

Other renowned high-performance organisations think similarly. In *Legacy*<sup>xix</sup>, James Kerr identifies that to represent the New Zealand All Blacks (by many measures, the most successful sports team in history over almost any time horizon), it is not enough to be one of the best rugby players in the country. In an excellent one line summary of the importance of attitude, Kerr reports: ***'Better people make better All Blacks'***. Like Netflix, and probably other organisations before them, Next Jump have gone public with their policy of ***'no brilliant jerks'***.

Readers may feel that they do not have the luxury of churning their whole workforce to replace 'resisters' with 'great attitudes'. But bear in mind that Next Jump was not always like this, and recruits are far from the finished article. The recruitment process identifies potential fit, but young graduate software engineers are a long way from automatically adept at some of these so-called 'softer' skills. The real change in attitude occurs post-hire when the three cultural lessons above are deeply embedded in business as usual.

All the above organisations emphasise the importance of objectivity in individuals' review of their own and collective performance. Next Jump and Bridgewater place a significant premium on honest feedback. This is a challenge. As humans, we are subject to all sorts of biases and defensiveness<sup>xx</sup>, and are more likely to attribute the cause of failures to external situational factors than to ourselves. One particularly relevant example from psychology is actor/observer bias. The ability to look at your performance critically and without emotion, as if you were observing someone else, is a key factor in understanding the reasons for success and failure.

Much of performance is about attitude and it needs to receive equal billing with skills.



## PROCESS

### Lesson 5: Standardise and cascade learning processes.

*'We need to learn the disciplines that will help cultivate the wisdom of the group.'*

**Peter Senge**

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Learning opportunities present themselves in lots of ways. However, the best learning experiences are often underpinned by a process to help people extract not just learning, but the right learning.

Learning is part of a cycle; the fighter pilot's mission cycle, for example, is plan – brief – execute – debrief. The debrief is a great example of an applied learning process but without time spent planning, and a clear brief, it's difficult to hold a good debrief. How can you assess whether you achieved what you set out to do if it wasn't defined and communicated in the first place?

Within the cycle, the review or debrief element should have its own clear format. Mission Excellence uses the LEARN tool to structure a debrief. Having an easy-to-use structured approach is important to capture and distribute the learning, especially when on tight timelines. The underlying questions that are answered in hot debriefs, After Action Reviews (AAR) and LEARN are all similar: what was the aim and did we achieve it? What went well and why? What went badly and why? Most importantly, having a simple structure rather than just having an open discussion will help to extract the best learning.

Then you need champions to cascade and assure your process. University College London Hospital, for example, runs training days in AAR at three levels<sup>xxi</sup>, from foundation courses to masterclasses, in order to develop internal experts who can train others or support AAR facilitation. Attendees come from across the organisation (including the CEO) so there is a breadth and depth of knowledge in how to run an effective, standardised AAR.

Standardised formats and developing an internal cohort of experts will help to cascade processes across the organisations, align new joiners and share information.



### Lesson 6: Share the learning.

*'How inefficient is it for one team to go through the pain of learning from a mistake only to allow the next-door team or department to go through exactly the same painful learning experience'*<sup>xxii</sup>

**Justin Hughes**

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Consultant and author, Chris Collison<sup>xxiv</sup>, talks about the 'leakiness' of the lessons learnt process and how to avoid wasting learning – this is the essence of knowledge management, an under-utilised concept; we saw above how sharing lessons could potentially have avoided the Texas City disaster. To paraphrase Collison, a knowledge management system can easily become a knowledge graveyard if not embedded as part of operations.

John Thorogood agreed; he's seen knowledge management initiatives fail in the oil and gas industry where they have become an unwieldy and effortful process that people get little value from. Part of the solution, according to J Ford Brett<sup>xxiv</sup>, lies in the structure of the organisation. For example, where teams are incentivised to compete, they are unlikely to share best practices.

Good quality debriefing is a skill to be acquired. But then what? A key step to learn lessons, rather than just identify them, is to make sure that there are clear, actionable steps following each debrief. Crucially, actions must have an owner, a date for completion and some form of accountability to make sure they get done! Even then you're probably getting 10% of the potential value. The real leverage comes from sharing the information such that the learning is not just individual but organisation-wide. That's learning to win.



## CONCLUSION

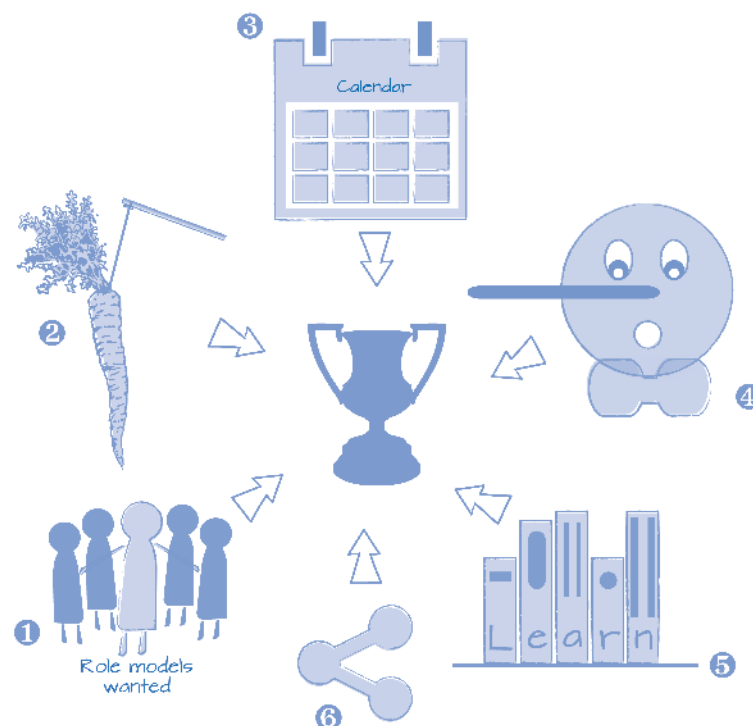
Learning to win makes good business sense, whatever the organisation. Evidence shows that high-performing companies are learning organisations and that failure to learn can have many and severe consequences – from financial and business impact to fatal accidents. The pressures of daily business make it easy to not prioritise learning. However, organisations which make that choice are effectively prioritising short-term deliverables over long-term performance; this can be a huge false economy.

We've seen that the best organisations get three main areas right: culture, attitude and process. A key part of that is the critical role of leaders and managers, affecting the success or otherwise across all these elements. The lessons drawn out here are designed to be practical and applicable to all levels from team leaders up to CEOs. Both our research and our experience unequivocally demonstrate that implementing these concepts in your organisation can accelerate performance faster than any other means and is likely to give you a true competitive advantage. If you still haven't bought the argument, we challenge you to show us a genuine high-performance organisation which doesn't have a culture of learning.

Good learning is good business. That's reflectonomics.

## LESSONS SUMMARY

1. **Role model learning behaviours.**
2. **Incentivise learning.**
3. **Normalise learning.**
4. **Prioritise attitude and skills equally.**
5. **Standardise and cascade learning processes.**
6. **Share the learning.**



<sup>i</sup>Welch, Jack, and Suzy Welch. *Winning*. New York: Harper Business Publishers. 2005. Print.

<sup>ii</sup>Arrow, Kenneth. The Economic Implications of Learning by Doing. 1962. Available at <https://eclass.uoa.gr/modules/document/file.php/ECON206/Course%20material/Arrow%20Learning%20by%20Doing%20RES1962.pdf>

<sup>iii</sup>Rabin, R. Blended learning for leadership. Centre for Creative Leadership. 2014. Available at <http://www.ccl.org/wp-content/uploads/2015/04/BlendedLearningLeadership.pdf>

<sup>iv</sup>Senge, Peter, M. *The Fifth Discipline: The Art and Practice of the Learning Organization*. New York: Doubleday/Currency, 1990. Print.

<sup>v</sup>Hess, Edward D. *Learn or Die: Using science to build a leading-edge learning organization*. New York: Columbia Business School Publishing, 2014. Print.

<sup>vi</sup>Collins, James C., and Jerry I. Porras. *Built to Last: Successful habits of visionary companies*. New York, NY: Collins, 2009. Print.

<sup>vii</sup>Vardi, N. Billionaire Ray Dalio has produced more dollar gains than any other hedge fund manager. *Forbes*. 26 January 2016. Available at <http://www.forbes.com/sites/nathanvardi/2016/01/26/billionaire-ray-dalio-has-produced-more-dollar-gains-than-any-other-hedge-fund-manager-ever-3/#299afc3b4ff8>

<sup>viii</sup>The Texas City oil refinery disaster killed 15 people and injured over 170. Andrew Hopkins gives a detailed insight into the lessons that BP-Amoco failed to learn from a similar incident 10 years previously in *Failure to Learn: The BP Texas City Refinery Disaster*. Sydney: CCH Australia. 2008.

<sup>ix</sup>Two of the highest profile include the Donaldson report, An organisation with a memory published in 2000, and the Francis report of the Mid Staffordshire Foundation Trust public inquiry published in 2013, available respectively at <https://www.aagbi.org/sites/default/files/An%20organisation%20with%20a%20memory.pdf> and <http://webarchive.nationalarchives.gov.uk/20150407084003/http://www.midstaffspublicinquiry.com/report>

<sup>x</sup>Dalio, Ray. *Principles*. 2017. Available at <https://www.principles.com/#Principles>

<sup>xi</sup>Rozovsky, J. The five keys to a successful Google team. *Re:work*. 17 November 2015. Available at <https://rework.withgoogle.com/blog/five-keys-to-a-successful-google-team/>

<sup>xii</sup>Edmonson, Amy. The three pillars of a teaming culture. 17 December 2013. Available at <https://hbr.org/2013/12/the-three-pillars-of-a-teaming-culture>

<sup>xiii</sup>Syed, Matthew. *Black box thinking: marginal gains and the secrets of high performance*. London: John Murray, 2016. Print.

<sup>xiv</sup>Glazer, B. The Biggest Lesson from Volkswagen: Culture Dictates Behaviour. *Entrepreneur.com*. 8 January 2016. Available at <https://www.entrepreneur.com/article/254178>

<sup>xv</sup>Salz, Anthony, Salz Review. An independent review of Barclay's business practices. April 2013. Available at <https://online.wsj.com/public/resources/documents/SalzReview04032013.pdf>

<sup>xvi</sup>Edmonson, A. Strategies for learning from failure. *Harvard Business Review*. April 2011. Available at <https://hbr.org/2011/04/strategies-for-learning-from-failure>

<sup>xvii</sup>Allspaw, John. Etsy's Debriefing Facilitation Guide for Blameless Postmortems. 17 November 2016. Available at <https://codeascraft.com/2016/11/17/debriefing-facilitation-guide/>

<sup>xviii</sup>Finkelstein, Sydney. *Why smart executives fail and what you can learn from their mistakes*. New York: Portfolio. 2003.

<sup>xix</sup>Kerr, James. *Legacy*. London: Constable and Robinson. 2013.

<sup>xx</sup>For a wonderful readable insight into the underlying psychology see Michael Lewis, *The Undoing Project: A Friendship That Changed the World*. London: Allen Lane, 2007

<sup>xxi</sup>UCH Education Centre homepage. Accessed 24 February 2017. Available at <http://www.ucheducationcentre.org/behaviouralprogrammes.html>.

<sup>xxii</sup>Hughes, Justin. *The Business of Excellence*. London: Bloomsbury, 2016.

<sup>xxiv</sup>Collison, Chris, and Geoff Parcell. *Learning to fly: practical knowledge management from some of the world's leading learning organizations*. Chichester: Capstone, 2011.

<sup>xxv</sup>Brett, J. F. *Leverage Success: Profit from Mistakes*, Frontline Group, May 2001.

# ABOUT THE AUTHORS

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**Justin Hughes** is the Managing Director and Director of Consulting at Mission Excellence. Justin is also a renowned speaker on high-performance organisations, decision-making, risk and safety culture, and leadership. Justin was previously a military fighter pilot, becoming the Executive Officer of the Red Arrows, with whom he flew over 250 displays worldwide. Justin has a BSc in physics, an MBA with distinction from London Business School, and is the author of *The Business of Excellence*, published by Bloomsbury.

The authors are also very grateful for the contributions and editorial input of **Vix Anderton**, Associate Consultant at Mission Excellence, who joined this project late and was instrumental in accelerating to conclusion.

## MISSION EXCELLENCE AND 'LEARNING TO WIN'

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We have over 25 years' experience of both operating in some of the most unforgiving high-performance military environments and partnering with clients who wish to accelerate effectiveness through improved alignment, leadership development and outstanding execution. Our best-in-class integrated initiatives, 'Planning to Win' and 'Learning to Win', support clients respectively in campaign planning for competitive environments and the 'operationalisation' of learning principles.

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