



**Confidence:  
How Winning Streaks and Losing Streaks Begin and End**

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**Author's Bio:** Rosabeth Moss Kanter is the Ernest L. Arbuckle Professor at Harvard Business School. She is the former editor of Harvard Business review and is an advisor to prominent corporations, governments, school systems and community organizations from IBM to the Girl Scouts. She is the author of many books.

**Author's big thought:** *Confidence* is based on an extraordinary investigation of success and failure in such companies as Continental Airlines, Seagate, and Verizon and sports teams such as the University of North Carolina women's soccer team, as well as schools, health care and politics. *Confidence* is the new theory and practice of success, explaining why success and failure are not mere episodes but self-perpetuating trajectories.

**Chapter Notes:**

**Part 1 - Winners and Losers: How Confidence Grows or Erodes**

**The Locker Room and the Playing Field: Booms, Busts, Streaks and Cycles**

- Confidence is the bridge connecting expectations and performance, investment and results. There is remarkably little understanding of what lies behind it.
- In this book the author goes inside many stories to show how confidence shapes the outcomes of many contests of life – from simple ball games to complex enterprises, from individual performance to national culture. The author explains what confidence is and where it comes from. She explains the culture of success and failure, why winning streaks and losing streaks perpetuate themselves, and how to shift the dynamics of decline to a cycle of success.
- Confidence grows in winning streaks and helps propel a tradition of success. Confidence erodes in losing streaks, and its absence makes it hard to stop losing.
- Confidence consists of positive expectations for favorable outcomes. Confidence influences the willingness to invest – to commit money, time, reputation, emotional energy, or other resources – or to withhold or hedge investment. This investment, or its absence, shapes the ability to perform.
- Messages about confidence are sent at many levels. At the most basic level of daily activity, confidence can be manifested in body language, in demeanor, and in personal surroundings.



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- On the playing field, confidence is embodied in whether people feel they can count on themselves and count on other members of their team to do their part. In the locker room or behind the scenes, confidence stems from a reliance on leaders and the system itself to provide resources and support that make it possible to play the game.
- To shift a cycle from decline to success, leaders must restore people's confidence in the system, in the organization, in the group, and in themselves.
- Confidence underlies the performance of individuals, teams, businesses, schools, economies, and nations. The fundamental task of leaders is to develop confidence in advance of victory, in order to attract the investments that make victory possible – money, talent, support, loyalty, attention, effort, or people's best thinking.
- The stories and lessons in this book are based on well over 300 original interviews, two surveys with 2,754 responses, firsthand observations, and unusual insider access to leaders and organizations around the world. All the differences between winning streaks and losing streaks on both surveys confirmed the picture of behaviors and structures that build or undermine confidence.
- Confidence is not just in people's heads. There are certainly differences between individuals in character, mood, and interpretation of situations. But confidence is not an artificial mental construct, solely dependant on what people decide to believe; it reflects reasonable reactions to circumstances. People are caught in cycles, and they interpret events based on what they see happening, on how they are treated by others around them. The momentum of the systems people are in shapes a culture that shapes perceptions that shapes the confidence to invest – or not.
- When supported by a firm foundation, people can indeed keep moving on a positive path, heading from victory to victory. When people can rely on themselves and one another to be accountable, to collaborate, and to take initiative, they can perform extraordinary feats. These lessons are relevant for leading teams, businesses, countries, and life.

## Winning Streaks: The Cycle of Success

At the beginning of every winning streak is a story in which leaders have created a foundation for confidence that permits unexpected people to achieve high levels of performance, and to do it as part of a successful team. Each time the team or the organization wins a victory, support for confidence is increased. An occasional win turns into a long winning streak. Winning begets winning, because it produces confidence at four levels.

1. **Self-confidence:** an emotional climate of high expectations – it produces energy and promotes morale.
2. **Confidence in one another:** positive, supportive, team-oriented behavior. Winning makes people feel more engaged with their tasks and with one another.
3. **Confidence in the system:** Winning makes it likely to turn informal tendencies into formal traditions, by building winners' habits of responsibility, teamwork, and initiative into routines, processes and practices that encourage and perpetuate them.





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4. **External confidence:** a network to provide resources. Winning makes it easier to attract financial backers, loyal customers, enthusiastic fans, talented recruits, media attention, opinion leader support, and political goodwill. Continuing to win stimulates this network to grow in size, scope, and magnitude of investment.
- Momentum builds because each success in a sequence of successes makes it easier to generate self-confidence, confidence in colleagues, confidence in the system, and investor confidence. Winning becomes an ingrained tradition, embedded in the culture and supported by powerful external networks, even if individual talent comes and goes.
  - What makes winning streaks even more dramatic is that winning is hard work. Losing is much easier. Winners may have the advantage of multiple layers of confidence as they go into each game, but winning is still not guaranteed.
  - There is a clear and well-documented relationship between expectations and performance that is at the heart of self-confidence. People who believe in themselves are likely to try harder and longer, thus increasing their chances of eventual success. People who succeed are more likely to believe that their efforts in the future will pay off.
  - Expectations of eventual success determine the amount of effort people are willing to put in.
  - The experience of winning makes self-talk more credible.
  - Assuming that people are capable of winning is not just a mental exercise. Concrete things happen that translate expectations into investments of resources or effort that actually improve performance – a mini-virtuous cycle. Thinking that someone is a potential high performer encourages leaders and colleagues to look more closely at her; to invest more time, to pass on more tips, to find the positives that surely must be there and mention them.
  - Positive expectations by leaders make people want to rise to the occasion, but people need proof that there is some reality to the expectations. That's why winning – or its close approximation – is often necessary before people believe they can win. The best pep talks include evidence.
  - Two beliefs shape a positive emotional climate in the workplace: first, that it is possible to meet high standards, and second, that there is a purpose worth achieving.
  - Through their confidence in the team, leaders can set an emotional tone and shape expectations that produce initial wins. The emotional contagion kicks in to spread that mood and reinforce positive expectations. Winning puts people in a good mood, and being in a good mood makes it easier to win. The contagion of positive emotions can help improve cooperation, decrease conflict, and underscore more-positive perceptions of everyone's task performance. Negative emotions have the reverse effect.
  - The positive emotional climate surrounding success makes it more likely for people to behave in ways that bring them closer together, that create the chemistry vital to winning.
  - The pattern is consistent everywhere, from the sports world to the business world to education, and to every realm in which individuals perform to high standards. In the midst of winning cycles, people naturally gravitate toward behaving in ways that support confidence.





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- **Accountability.** People want to share information and take responsibility. They seek feedback and self-improvement. They communicate more often and make higher-quality decisions. They set high aspirations and respect each other for meeting high standards.
  - **Collaboration.** People want to work together. People are willing to help others and give them a chance to excel.
  - **Initiative.** People feel that what they do matters, and that they can make a difference in outcomes, so they offer ideas and suggestions. People take initiative, and initiative results in improvements and innovations.
- These kinds of behaviors are central to confidence. They feed motivation and morale. They create a culture that makes it easier to solve problems. They encourage high performance.
  - Leaders of high-performing organizations don't count on impulse or emotions alone to produce the behavior of winners. They establish disciplines and embed them in formal structures.
  - Investments in people are much easier to make and justify when teams and organizations are already winning. They cannot only attract the best talent but spend money to develop even lesser talents and surround them with an environment of success.
  - The benefits of winning extend beyond simple economic calculations. The ability to recruit top talent is not just about money, especially in situations where there are caps on salaries or more complicated considerations. Winners gain advantages because the whole context is enriched. Top talent wants to join other top talent, and they often play better when surrounded by other high-performers rather than being the only one on the team.
  - Large crowds of loyal fans or customers provide money but also a great deal more. They offer the exhilaration of popularity that reinforces a climate of positive expectations.
  - Winners also gain a variety of non-monetary advantages that propel the success cycle.
    - **Powerful networks** – people involved with winning streaks get more access to influence and information. Winners find their networks expand as they continue to win, and that loyalty increases.
    - **Career opportunities** – It is easier to hone skills in organizations on winning streaks, because the level of colleagues is higher, the investment in training is likely to be greater, and the competition is tougher. The promise of future opportunities makes it easier to recruit talent in the first place, perpetuating the cycle of advantage.
    - **Good deals.** Deals come to winners; they don't have to find them. As the number of people and organizations that want to be associated with winners grows, winners can be more selective.
  - Winning streaks are empowering. People feel in control of their game, and, in turn, they are more likely to be handed control. Winners get the power of continuity and self-determination.
  - Winning streaks feature a great deal of leadership continuity. Winning companies are much less likely than losing companies to get new CEOs.

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- Winning streaks give people the room and the security to define their own terms and determine their own fate. A history of high performance increases the confidence of authority figures, resource allocators, watchdogs, auditors, regulators, and opinion leaders.
- Instead of always having to adjust to new relationships, winners can enjoy deepening the ones they have.
- Continuity of people is associated with continuity of strategy – smoother, less disruptive improvements rather than vacillation or lurches from one idea to another. The track record of leaders of winning streaks breeds confidence in committing to a plan and sticking with it.
- Success also breeds confidence in the ability of people to self-manage. Resources and support are provided with fewer strings.
- Those enjoying winning streaks win twofold. They win not only the game but also the right to greater self-determination. That feeling of efficacy, of being in charge of circumstances, is the essence of confidence.
- As winning streaks gain momentum, winning becomes a habit supported by firm foundations embedded in structures for confidence. But the ultimate responsibility for winning is carried by the individuals who must go out into the field and play the game. The people involved must still perform. Confidence produces teamwork, but the team must still do the work.

### Why Winning Streaks End

- Winners make mistakes and encounter troubles all the time. How problems are dealt with shapes whether they are just an interruption or a sign of impending doom; whether winners are resilient or are stuck in increasingly ineffective behavior.
- In some domains, it is hard to win forever because rules and regulations are designed to encourage competition. But for the most part it is not external factors that stop winners, but their own failure to maintain the disciplines and support systems that helped them turn winning into a habit in the first place.
- It is also hard to win forever because of the paradox of success. Success creates its own problems that make it hard to sustain. Competition gets tougher. Success also produces its own competition – it creates attractive markets, encourages imitation, and brings out the toughest competition.
- Winning is a form of toil that can breed its own troubles. Experiencing troubles is not all bad. Rather than interrupting the cycle of success, responding to adversity might accelerate it. Potential leaders might become stronger when they have successfully resolved crises or weathered adversity. Consistent winning can become taken for granted, no longer a source of exhilaration.
- The occasional crisis makes winning less boring. A tight game, a difficult challenge, even a loss, can add drama and excitement, an occasion for renewal.
- *If* renewal occurs, people must rise to the occasion. It's not the things that happen to winners that end a winning streak, it's the things they do to themselves – not their circumstances, but their own responses to those circumstances.





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- Winners get in trouble when confidence turns into complacency and arrogance. They undervalue their support systems, their disciplines, their obligations to others, and they overestimate their own abilities. Winning streaks end when those supports crumble, and people fall into the three traps of panic, neglect, and denial.
- Faced with problems or overwhelmed by troubles, people can make the situation better if they keep their heads. It's not mistakes that cause winners to lose; it's panic. Panic is a sudden, anxious feeling of loss of control, and panicking can cause people to lose their heads and forget to think clearly. Panic is the enemy of good decision making under pressure. Threat triggers a primitive, instinctive fight-flight response even before rational thoughts can kick in. When a few people panic, a modest crisis escalates. Their anxiety can spread in an emotional chain reaction that throws many others off their strides.
- Overcoming obstacles and recovering from fumbles can strengthen a team that has the discipline not to panic under pressure. Expectations remain realistic, grounded in knowledge of what people are actually capable of doing, based on detailed metrics and feedback. The deep knowledge teammates have of one another, and their mutual respect and commitment, makes it possible to regroup quickly. Confidence is based on reasonable expectations; so-called over-confidence is not.
- Success means that people or teams or organizations survive long enough to need maintenance and repairs – in other words, reinvestment. The upward trajectory cannot continue; repeating the pattern brings diminishing returns. A winning streak requires renewal and rebuilding.
- As momentum runs down, neglect takes on tangible physical manifestations such as being out of shape. Sometimes running down/getting rundown, begins with removing just one element, ignoring just one rule, neglecting just one element.
- Winning ends when threats and problems are denied. It is still possible to continue a winning streak throughout a series of handicaps, setbacks, and changes in the business environment, as long as problems are faced head-on, and the discipline of winners' behavior remains in place. One reason the mighty inevitably fall is a preference for denial.
- Common explanations for denial boil down to this: decision makers make flawed assumptions based on past successes, but the past may be an inadequate guide to a future in which something has changed. People can get caught in "competence traps", continuing courses of action that have been successful in the past, because they are comforting in their familiarity.
- Denial can be a deliberate political act to stop people from seeing change, or an unconscious tendency to put on one's own blindfolds. Denial is reinforced by the limitations of human intelligence, such as not being able to keep too many variables in mind all at once, so people are tempted to pick just a few to focus on, denying the importance of the rest.
- See No Trouble, Hear No Trouble, and Speak No Trouble are the three monkeys of denial. Some people don't even know there's a problem, others don't want to hear about it, and a third group refuses to talk about it, perhaps because they have something to hide.





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- Dialogue, the capacity to discuss the undiscussables, is the antidote, and confidence makes it possible. Winners who continue to reinforce accountability, collaboration, and initiative are better equipped to both see and want to see mistakes and changes, because they have confidence in their ability to do something about the situation. They are much more likely to respond to troubles or threats by conducting self-examinations and reflecting on their own behavior, while losers shift the blame and drown in denial.
- Problem-solving begins with open dialogue, diagnosis of the situation, facing the facts, and mobilizing to take corrective action.
- Confidence is not just putting your best foot forward; it comes from having something solid to stand on. When people let disciplines go, when they let the support system crumble, when they stop investing in one another, when they stop taking responsibility themselves, that's when they start promising things they cannot deliver. And that is when the winning streaks end.

### **Losing Streaks: “Powerlessness Corrupts” and other Dynamics of Decline**

- People who think that they are being held responsible for a losing streak don't like to talk about it. But eventually the evidence is there for all to see. It's bad enough to live through those losses, but to discuss the streak adds insult to injury. That alone is one of the human tendencies that set in motion the dynamics of decline.
- The dynamics of decline are remarkably similar among organizations. Underlying the problems of distressed organizations are pathological patterns that are self-perpetuating and mutually reinforcing. Decline is not a state, it is a trajectory. Losing teams, distressed organizations, declining empires, and even depressed people often run downhill at an accelerating pace. Common reactions to failure prevent success and make losing in the future more likely. Secrecy, blame, isolation, avoidance, lack of respect, and feelings of helplessness create a culture that makes the situation worse and makes change seem impossible.
- Decline generally does not stem from a single factor, but from an accumulation of decisions, actions, and commitments that become entangled in self-perpetuating system dynamics. The system has momentum. Expectations have formed, and they can turn into a culture that perpetuates losing.
- No one likes to lose. You'd think that people would do everything they can to avoid losing, so how does losing become a habit? If losses mount, pressure goes up – or the perception of pressure. Stress makes it easier to panic. Panic makes it easier to lose. Losing increases neglect. Signs of failure cause people to dislike and avoid one another, hide information, and disclaim responsibility – key elements of denial. All this makes the cornerstones of confidence crumble. People doubt themselves, feel they cannot count on others, and do not trust the system around them. The climate of expectations turns negative, and everyone begins to feel powerless to change anything.
- Losing streaks begin in response to a sense of failure, and failure makes people feel out of control. It is just one more step to a pervasive sense of powerlessness, and powerlessness corrodes confidence. When there are few resources or coping mechanisms for dealing with problems, people fall back on almost primitive, self-protective behavior. Nine pathologies begin to unfold, as an emotional and behavioral chain reaction. These behavioral tendencies are polar opposites of the characteristics that help winners win.





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Such responses to losing make it harder to recover, harder to solve problems, harder to ever win again.

They are:

1. **Communication decreases.** When the agenda involves problems that provoke anxiety but do not yet have explanations or solutions, discussions tend to wander into uncomfortable territory. Since meetings are less productive and less enjoyable, people try to avoid them. Decreasing communication begins at the top. It is very hard for most executives to reveal that they don't have solutions. Losers, compared to winners, are nearly four times as likely to keep information in the hands of a small group that operates in secrecy behind closed doors, shutting everyone out. Companies in trouble compound their financial and strategic woes when they keep information secret from their employees and the public. And problem solving is impossible if people do not have all the facts.
2. **Criticism and blame increase.** Losing teams and work groups in declining companies are more than twice as likely as winners to indulge in blame and look for scapegoats in response to problems. Anything but self-scrutiny. Anything but admitting one's need for change. Self-doubt, which arises among those on losing teams, is masked by attack. The desire to retaliate against the people or circumstances assumed to be the "cause" of failure can become all consuming. Constant criticism has other pernicious effects. Criticizing performance in unwelcome ways can set people up to fail. Constant criticism of people assumed to be low performers reinforces poor performance when it focuses on failures rather than successes, provides too many detailed instructions, offers unsolicited advice, and keeps people on a tight leash. As their feelings of defensiveness and powerlessness grow, they put in less effort and came to doubt their own abilities.
3. **Respect decreases.** The sheer amount of criticism surrounding people undermines their confidence in one another and makes them feel they are surrounded by mediocrity. A culture of mediocrity suppresses innovation. People lose not only respect for one another, but confidence in the system. Losing companies are more than three times as likely as winners to be seen as tolerating deadwood, as having low hiring standards. Loss of respect surrounds the whole organization. A loser culture casts an aura of negativity over everyone. Failing to root out the bad performers taints the good ones.
4. **Isolation increases.** While those associated with losing isolate themselves, other people compound withdrawal by in turn isolating them. Losers are shunned as if losing were contagious.
5. **Focus turns inward.** Organizational selfishness sets in.
6. **Rifts widen and inequities grow.** People in losing situations are over four times as likely as those in winning situations to say that their team or work group never or rarely pulls together nor represented a unified image – one of the strongest differences between losers and winners of any of the behaviors asked about. The same divisiveness occurs in declining companies. Companies are characterized by internal rivalries and competition between groups. Growing inequality perpetuates decline when it is based on factors other than performance and seems to be unfair. If group members are resentful of one another, the result is a great deal of dissatisfaction, very little cohesiveness, and poor performance, as people withhold effort.





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7. **Aspirations diminish.** One way to cope with losing is to reduce aspirations. The willingness to settle for mediocrity burgeons for work groups in declining companies. The motivation for groups that start to lose often becomes not losing by much.
8. **Initiative decreases.** Even when people know they should act to get ahead of a problem when losses begin, they don't do it for fear of failure or reprisal. Losers are likely to do just the minimum of following routine; they rarely or never make suggestions that will help their team or organization to improve. The general work style of losing businesses is nearly twice as likely to include many ingrained policies and routines that are hard to change, and nearly one-third offered zero encouragement to employees to propose new ideas and no support in creating projects. Because hopelessness, amplified by helplessness, can make people feel that there is no point in trying to improve the situation because there's not much they can do about it, initiative decreases and hopelessness becomes a self-fulfilling prophesy.
9. **Negativity spreads.** Negativity reduces energy. Failure becomes a self-fulfilling prophecy, and poor performance is both cause and effect. Poor performance is the consequence of ineffective actions in the past, but it is also the cause of actions that further deepen performance.
  - An understanding of the symptoms, and how they work together to start an escalating cycle of decline, illuminates how confidence erodes, and thus is the first step in considering what to do about it.
  - When losing makes people feel out of control, and when they give in to the temptations associated with defending against feeling powerless, the seeds of systemic pathologies are sown. Powerlessness undermines resilience. It eliminates the accountability, collaboration, and initiative winners use to solve problems and get on with the next game. Instead of believing in positive futures, everyone expects the worst of everyone else – and then acts to make those expectations come true. Self-confidence, confidence in one another, and confidence in the system disappear.

### Why Losing Streaks Persist

- Losing creates pressure. It tempts people to behave in ways that erode their ability to solve problems and cause them to lose confidence in themselves, one another, and in their leaders. When losses continue, often as a result of blame, turf protection, or passivity, something larger occurs. The investment climate surrounding losers changes dramatically – the institutional environment from which they draw their support becomes significantly less nurturing. As investors, suppliers, customers, talent sources, sponsors, traditional allies, opinion-shapers, watchdogs, or rule-enforcers lose confidence, resources stop flowing, sales stop coming, suppliers and customers seek alternatives, and goodwill shuts down – cutting off favors and eliminating benefits of the doubt.
- Once the loser label is slapped on, those suffering losses are set up to fail. They find it harder to get support, harder to get opportunities. They are targeted, pressured, distracted, punished, second-guessed, shunned, marginalized, ruled against, starved or tempted to cut corners. The streak hardens and despair can cause acts of desperation.





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- The dynamics of losing streaks in sports illuminate issues of failure in more complex systems. Losing streaks in business can go on as long as losing streaks in sports.
- The leadership groups of the bankrupt companies studied made poor decisions because of the stress they faced, and they also made changes in their own ranks that weakened their ability to solve problems. Weakness led to flawed decisions, which increased the weakness. During the downward spiral, the most desirable executives left because they had other options, still other executives were fired as the company searched for scapegoats, and resources shrank. The companies lost expertise; they had fewer experienced people at the table and inferior talent in executive offices. These deficiencies accelerated loss of support from external stakeholders whose confidence in decision-makers decreased.
- Winning streaks are characterized by continuity and continued investment, losing streaks by disruption, churn, lurching, and lack of investment. Winners find it easy to maintain momentum; losers find it difficult to gain traction.
- The actions of American and international businesses during the economic downturn of 2001-2003 reveal an even more dramatic contrast between winners and losers than among sports teams. They replaced CEOs. They cut expenses. They cut internal investment. They cut people. They cut projects. They cut customer service. They cut communication. Both winners and losers faced similar challenges during the “bust” years, but they responded differently. The wider environment can cut off opportunities for losers to recover, but the problems of a losing streak are compounded when losers start doing it to themselves.
- Losing makes it more likely for people to respond in dysfunctional ways (in their own attitudes, aspirations, and treatment of others), and that makes it harder to solve problems or to win, and that causes stakeholders to lose confidence (investment declines; support erodes; customers defect; talent becomes hard to recruit; media attention is negative; rule makers rule against the group. Assuming it must have cheated to get good results), and that perpetuates the crisis of losing, and all that cycles back to reinforce the bad behavior and create disruptions, distractions, reductions, and leadership changes, which harden bad behavior and ensure full loss of both internal and external confidence.
- The sentence above was a long sentence! And that’s how people caught in losing streaks feel – that they have been handed a long sentence with little relief in sight.

### **Part II - Turnarounds: the Art of Building Confidence**

#### **The Turnaround Challenge**

- It is possible to slide into a cycle of decline without even knowing it until the pattern of losing becomes visible to everyone. Quick fixes and face lifts no longer work.
- Now a deliberate choice needs to be made: whether to let decline turn into death, or to try and restore health. Mainstream theories advocate letting distressed organizations die so that their assets can be put to greater use elsewhere. But even in the most draconian views there is room for strategic transformation.





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- Turnarounds are when leadership matters most, because confidence has eroded on all levels. Instead of confidence, there is self-doubt and despair, negativity about others, cynicism about the system, and a deficit of external investment. Myriad immediate crises must be resolved before one even tackles the task of restoring confidence in the future.
- With the right leadership, attentive to the human as well as the financial, to the long term as well as the short term, the cycle can be shifted. Leaders can stop downward spirals, reverse negative trajectories, unwind doom loops, end bad habits, and lay the foundation for confidence.
- First someone must believe that there is value worth restoring, someone who has the initial confidence to tackle the task.
- The Patriots and the Eagles are two sports teams which soared beyond the early challenges of their turnarounds to build a winners' culture based on accountability, collaboration, and initiative – the cornerstones of confidence. Lessons learned from the Eagles' early days make clear why turnaround leaders must have the stamina and persistence to deal with problems worse than they thought; skepticism about whether they will deliver on promises; difficult and unpopular decisions; false recoveries; and a lag between internal changes and actual winning performance.
- Three types of situations trigger a turnaround. The first group is fatally ill. Some of the turnarounds examined did not start until the ailing system had reached the brink of imminent death. A second batch of organizations begins the turnaround process when loss of external confidence finally compels boards or owners to seek change, but before an overt crisis. Such organizations are in the market for new leadership to end losing streaks and get things back on track. For a third set, a turnaround is an unanticipated by-product of normal life events, such as a succession of regimes.
- It would seem a lot easier to fix something that is just starting to crack than to repair a system so weak that it is on life support or in the bankruptcy court. But the opposite is often the case. There can also be more resistance to the idea of significant change when the situation isn't dire. But when there is no consensus that the underlying system needs to change, or that losses are anything other than bad breaks or a bad economy, then turnaround leaders have a more difficult task.
- Differences in context and details sometimes make people think that every turnaround is unique, a matter of finding the specific problems and solving them. But every turnaround starts with the same overriding challenge: the need to make unpopular decisions about a situation whose full ugliness has been denied, and yet, at the same time, restore people's confidence that they can start winning again.
- Most popular conceptions of turnarounds feature hired guns who come to clean out the town. But more often, turnarounds start by replacing top people, as the first step in restoring external confidence.
- It is hard for leaders to let people down to succeed in pulling them up. That is one of the many reasons why turnarounds often start by replacing the people in charge. It is often very hard to see a whole system when you are occupying one corner of it. Connecting the dots is difficult if each dot has been possessed by a different person. The situation facing turnaround leaders is often worse than anyone knew because no one has put the whole picture together. Losers avoid dialogue and keep facts off the table.





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- Former leaders have lost credibility and new leaders symbolize to everyone that the weight of the past losses can be left behind. Outsiders are viewed as objective.
- New leaders are better able to disentangle system dynamics because they were not caught up in them. An important step is putting a name to problems that have long been unexpressed, even though people individually might have known about them. They might understand the issues in theory, but are unable to do anything about them in practice – a gap between knowing and doing.
- A new leader does not wave a magic wand and automatically transform everything. Moreover, changing the CEO or removing the head coach is a very familiar feature of long losing streaks. Decline cycles are known for a rapid turnover of people in the top positions.
- The clue to beginning the process of renewing confidence is the confidence leaders show in the people who must work to deliver winning performance. That confidence does not come from empty pep talks, but from tangible indications that someone cares enough to invest in those people and to empower them to take new actions. Leaders show confidence in the people by finding resources to invest.
- The art of turnaround leadership is knowing how to shed deadwood without killing the tree, to dig down to find root causes and make systemic changes, and to help the tree blossom. That takes a healer.
- What matters in restoring individual confidence is not the source of the new investment but the fact that new leaders are willing and able to find ways to invest in people and their work environment.
- New leaders coming from outside can sometimes bargain for new resources from owners or bosses. New leaders can attract support from the external network.
- An infusion of resources, however small, applied to things that show people their value and their potential, is the first step in creating a more positive emotional climate even while layoffs or cost reductions are necessary to fix financial problems. Investment in the work environment for the people who play the game indicates the leaders' faith in the future, and that helps restore everyone's confidence. But fix-it plans must be accompanied by a mission and values larger than repair work, to help guide the work of problem-solving – a positive vision of the future and a game plan. In short, turnaround leaders must stop the bleeding so as to get back into the game but also build the confidence to win it. That doesn't happen overnight.
- The turnaround leaders' agenda is daunting: endless problems to fix, unpopular decisions to make, skeptics to convert, and the need to secure investments before investors see any wins to attract them. There are so many things that can go wrong. Turnarounds often proceed unevenly, in fits and starts, and are fraught with the danger of false recoveries that cannot be sustained because fundamentals have not been fixed.
- Various turnaround tasks operate on different clocks. Bold strokes can be done by one powerful person; long marches to change culture and behavior take more time and the commitment of many people.
- Restoring confidence involves demonstrating the absence of problems as well as the presence of wins, and the former takes longer to do.





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- Turnaround leaders contend with a legacy of mistrust that is easier to break than repair.
- There are false negatives in the early stages of turnarounds- when actions taken with long-term objectives in mind seem to exacerbate short-term losses. If people become confused or scared by the actions of turnaround leaders, if they are made insecure by the sacrifices required today in order to build a brighter tomorrow, then they fail to invest, and their lack of confidence becomes a self-fulfilling prophecy that undermines the turnaround.
- There are also false positives – early signs of recovery that bring so much relief that effort decreases, or rewards are taken prematurely.
- False recoveries can also provoke selfishness if they occur before leaders have restored team spirit. For this reason, early successes can sometimes be the most dangerous points in a turnaround, if easy problems are solved but new team culture has not yet been built.

### **The First Stone: Facing Facts and Reinforcing Responsibility**

- Accountability is the first cornerstone of confidence, a pillar of winning streaks. When accountability crumbles – when troubles provoke denial, or people cover up their own mistakes, or find an enemy to blame – winning streaks end.
- Accountability is missing in losing streaks, when people stop talking, stop practicing, and stop trying, or become more accustomed to finding fault than facing facts. To shift the cycle from losing to winning, leaders must develop accountability – the discipline and responsibility of the best athletes and the best teams.
- The elements of unwinding denial, getting people to face facts, and restoring responsibility to set accountability in place include:
  - Straight talk about problems and expectations
  - The courage to admit responsibility for problems
  - Open dialogue and widespread communication
  - Clear priorities and attention to details
  - Performance feedback – the mirror of accountability

### **Leading Toward Accountability**

- The challenge of leading people to embrace accountability, in the turnarounds that were examined, involved dealing with similar fundamentals and similar fears.
- Open dialogue tended to be well received. Report cards, in contrast, are not the fun side of leadership. Evaluating details of performance can sound a little cold-blooded and technocratic – not the stuff of inspirational leaders. Exposing people's ratings to one another can seem harsh and punitive, and some think that this kind of action actually destroys confidence, because it produces anxiety and fear.





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- Those fears are the fears of losers. Ducking the facts about performance for fear of being judged, criticized, humiliated, and punished characterizes losing streaks, not winning streaks. In a losing streak, facts are used for blame, not improvement; they are turned into weapons to persecute, not tools to find solutions.
- Contrast that with winning streaks and the ways perpetually winning teams use detailed tracking of individual actions and discussions of performance details, dissecting tapes of games or charting players' progress. In winning streaks, players get and use abundant feedback about their performance.
- Before people can shift to the habits of winners, turnaround leaders must overcome the anxieties that stem from the experience of losing cycles: the fear that people can't handle negative information because it's too depressing; the fear that open discussions of performance problems are humiliating; and the fear that metrics and data turn people into robots, crushing their initiative.
- Leaders can send messages about new expectations, model new behavior, introduce methods for learning and practicing new disciplines, and ensure that measurements ultimately empower rather than punish people.
- *Leaders show the way.* It builds confidence in leaders when they name problems that everyone knows are there and put facts on the table for everyone to see when they refuse to shift responsibility to some nameless "them." It also helps other people get over their fear of exposure and humiliation to see leaders providing examples of accepting responsibility. Confidence is real only when it is grounded in reality.
- *Openness without humiliation.* Leaders can also provide safe havens in which dialogue with peers can take place without making any one feel on the spot.
- *Using data to empower.* Data, details, metrics, measurement, analyses, charts, tests, assessments, performance evaluations – these are all the tools of accountability, but they are neutral tools. They do not restore confidence by themselves. What matters is the culture that surrounds them. For losers, they are another sign that they are watched too closely, not trusted, about to be punished. For winners, they are useful, even vital, tools for understanding and improving performance. People embrace tools of accountability when they are in control, when the information empowers them and helps them succeed.
- Leaders must encourage people to face facts honestly and to embrace responsibility for their own performance, committing to take it to the highest levels. That builds self-confidence, confidence in others, and confidence that the whole system can deliver on its promises.

### Cultivating Collaboration

- Collaboration is the second major cornerstone of confidence, and it is equally necessary for small sports teams or complex organizations containing many teams. In order to solve strategic and operational problems, anti-teamwork sins of decline must be eliminated, and people's confidence in one another must be restored.
- It takes much more than slogans or exhortations to shift human behavior to achieve goals. It takes a consistent message, the model of leaders' personal conduct, and productive conversations across positions. In many ways an organization is just a vast series of conversations; the structure of who talks to whom, determines the likelihood of success.

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### Actions that build confidence in teams

- People embodying the pathologies of the past can always be replaced, but eliminating the bad does not produce the good. It takes a major effort on the part of leaders to foster confidence that a demoralized company or group is capable of working together and succeeding at it. Restoring people's confidence in one another requires four kinds of actions:
  1. **Getting connected in new ways through new conversation.** It sounds dangerously close to an oxymoron to talk about ordering collaboration. For those trying to move off a losing streak, relationships do not come naturally. People in losing situations have gotten out of the habit of engaging with each other. Leaders use their convening power to get people to the table and get them talking. Rather than continually reorganize, which is highly disruptive, turnaround leaders augment the organization chart with flexible, sometime temporary, groups that open relationships in multiple directions. To ensure cooperation, leaders promote the natural connectors, the people who instinctively reach across divides to form relationships.
  2. **Carrying out important work jointly.** The reason people are having new conversations is that there are critical problems to be solved. When people are given tasks with big consequences, they are more likely to forget their differences and bury the slights of the past, real or imaginary. There's nothing like a huge responsibility and a deadline to focus the mind. Important work has a clear strategic focus and significance, so that it matters to everyone's fate; and it offers an opportunity for everyone in the system to see where their efforts might make a difference. Important work makes people proud that they can stretch to meet impossible goals. Every turnaround leader has to ask people to put in more effort. When people know work is important, they are more likely to show up to do it. When they see how small aspects of their behavior can help accomplish important tasks, they are more likely to put in the effort. It doesn't take very much in the way of incentives to focus effort. "Chemistry" – confidence in one another – builds one win at a time.
  3. **Communicating respect.** Shifting a culture of mediocrity, in which everyone doubts everyone else's abilities, to a culture of confidence is a challenge in troubled companies. Respect is signaled by leaders in how they treat people, and how they expect them to treat others. Leaders can set ground rules for discussion and decision-making. They can foster language of contribution rather than blame, insisting that people seek solutions and value one another's potential to contribute. Teams that produce innovations encourage people to speak up but to express their concerns without rancor or contentiousness. Leaders can shape how people talk by insisting on respect. Some rituals seem artificial at first but soon the consistency principle kicks in – if people hear themselves say certain things often enough, they start to feel the associated feelings.
  4. **Demonstrating inclusion (that everyone is part of the picture).** To get people to invest in one another, leaders need to know that they are worth investing in. A collective facelift changes demeanor: Improvements in something tangible that people see every day when they come to work keeps reinforcing the message. The other virtue is that these investments are by nature inclusive; everyone shares them.
- All four of the things leaders can do to promote collaboration – new connections, important work with shared goals, rituals of respect, and investments that include everyone – help unleash positive energy and aspirations. This can occur even in the most challenging circumstances.





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- Though every sports team, airline, technology company, or public school is unique, their leadership challenges are similar, and so are the facts of life for their turnarounds.

### **Turnaround facts of life:**

- Leaders don't always control everything that contributes to results.
  - There are lags between internal changes and internal and/or external confidence
  - Turnarounds can be a very slow and long-term process.
  - A structure for collaboration is like an insurance policy for keeping hope alive, as people with confidence in one another reinforce perseverance.
- Maintaining confidence when the external environment is supportive is easy. But to keep nurturing confidence when everything is stacked against you, and to maintain winners' habits of collaboration even in the most challenging times, is difficult and admirable. That is when leadership is put to the test.
  - Teams that withstand adversity and go on to win are known for their "chemistry." "Chemistry" is what we call it when people bond, when they seem especially attuned to one another, when their mutual trust and respect makes them feel they can rise together, to confront any challenge.
  - Confidence in one another produces the collective will and determination, the shared knowledge of everyone's potential contribution, the generosity and the reciprocity that convert individual effort into joint success.

### **Inspiring Initiative and Innovation**

- Of all the pathologies that accumulate in a losing streak, one of the most damaging to individuals, and eventually to the places where they work and live, is passivity and learned helplessness. When people are resigned to their fate, nothing ever changes.
- People who find themselves in losing situations are more easily fatigued; they are more often injured or call in sick. When people are surrounded by pessimism – that feeling that they are the victims of uncontrollable forces around them – they drag others down with them, finding the worst in everything, or resisting other people's ideas but offering none of their own. With diminished initiative, innovation disappears, problems go unsolved, and opportunities go un-seized. The cycle gets harder to break.
- To shift behavior from losing to winning modes, turnaround leaders change the context. They teach people to see the world differently because they give them new opportunities and experiences.
- Then, to overcome inertia, they move organization and environmental impediments out of the way. Resources must be shifted to support small wins that build confidence and then join with other wins to produce major victories. All the messages surrounding people must reinforce their initiative, from the unified way that top leaders support them to the symbols and signals in the organization.





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- The final challenge – and the one that solidifies success- is to build so much momentum that change is unstoppable, that everything reinforces the new behavior so that even the resisters get on board – exactly the momentum that develops in winning streaks. That's the virtuous cycle of initiative and performance: Effort increases, problems are solved, receptivity to change increases, and innovations surface – so winning is easier and winning reinforces initiative.
- In a small team playing a simple, bounded, repetitive game, leaders do not have to worry about all the organizational layers and complex, shifting tasks of a giant corporation. In complex situations, leaders must make choices about where to start, whether top down, or middle-up and whether to begin with a broad call for initiative or with a focused set of projects. The decision rests on judgments about where there is the - greatest receptivity, readiness, and prospect for success – and how much risk leaders want to take. In large organizations, initiative depends not just on culture but on formal mechanisms to make creativity, enterprise, and innovation a permanent practice: budgets and seed funds, channels for soliciting and endorsing proposals, methods for reporting and communicating results.
- Lessons about reinforcing the third cornerstone of confidence resonate across levels. Leaders energize depressed people, passive teams, or sluggish organizations when they act on **four guiding principles**:
  1. Believe in people and their power to make a difference. Show them they are worth it by investing in things that matter to them.
  2. Direct the energy tied up in negativity (resentment, rivalry, or disrespect) into positive actions. If people seem petty, make them nobler by focusing them on a bigger cause and giving them a chance to contribute to it.
  3. Make initiative possible and desirable. Awaken enterprise by opening real opportunities to contribute new ideas. Seek them, fund them, praise them, and provide a support system.
  4. Start with small wins-things that people can control. Let them taste victory, and further victory will be in their sights.
- These principles, common-sense as they are, are accompanied by deeper paradoxes. The goal is self-direction, so that initiative emanates from the person herself (that's what makes it initiative, and not simply following orders), but someone in authority first gives permission. The goal is to generate significant success, but initiative often has to start with small, even superficial actions-those small wins that sometimes have big symbolic value. But small wins can too often look like cosmetic change, doing easy things while glossing over bigger issues.
- When the cycle finally shifts from losers' passivity to winners' initiative, these paradoxes are easier to resolve.
- The ultimate sign of confidence: a virtually self-organizing system in which people feel empowered to seize initiative, to solve problems, and to seed innovations without even being told to do it.





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## Part III - Implications and Life Lesson

### Delivering Confidence: The Work of Leaders

- All of us want confidence that our investments of money, time, effort, or loyalty will lead to positive results. We look to leaders to deliver that confidence.
- Leadership is not about the leader, it is about how he or she builds the confidence of everyone else. Leaders are responsible for both the big structures that serve as the cornerstones of confidence, and for the human touches that shape a positive emotional climate to inspire and motivate people.
- Leaders deliver confidence by espousing high standards in their messages, exemplifying these standards in the conduct they model, and establishing formal mechanisms to provide a structure for acting on those standards.
  - **Espouse: the power of message:** Leaders articulate standards, values, and visions. Their messages can incite to action when that is appropriate, or they can calm and soothe people to prevent them from panicking.
  - **Exemplify: the power of models.** Leaders serve as role models, leading through the power of personal example.
  - **Establish: the power of formal mechanisms.** Leaders develop processes, routines, and structures. They embed winners' behavior in the culture not just through person-to-person and generation-to-generation transfers of norms, but also through the formal mechanisms that embed positive behavior in team and organizational routines.
- Leaders must deliver confidence at every level: self-confidence, confidence in one another, confidence in the system, and the confidence of external investors and the public that their support is warranted.
- Leaders certainly need self-confidence. But self-confidence is not the real secret of leadership. The more essential ingredient is confidence in other people. Leadership involves motivating others to their finest efforts and channeling those efforts in a coherent direction. Leaders must believe they can count on other people to come through.
- Leaders of organizations in success cycles are a little like rabbits, constantly reproducing. In losing streaks, the rabbits seem barren; there is a leadership deficit. In winning streaks, the number of leaders multiplies along with the momentum of the streak. As a pattern of success continues, many people at many levels take on leadership roles. Some of them are appointed to positions with leadership titles, some of them are self-appointed. Even at the top, leaders often come in pairs, trios, and quartets, operating as a unit in spirit even if one of them has final authority in law.
- One person may have the top title and the official authority, but effectiveness is often a function of all the other people who stand beside them to exercise leadership.
- The reproduction process involves finding and empowering natural leaders, regardless of their titles or levels.





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- Losing streaks are associated with autocrats who cling to control even as events spin out of control. In winning streaks, leadership can come from anywhere, and it might not correspond to the official hierarchy of titles. Leaders find the best people they can, ensure their preparation, put them in the right positions, and give them a game plan.
- When people have confidence in one another, they are willing to lead and be led by the team. They do not have to second guess, double back, or duplicate other people's work. They catch problems more quickly or take bolder steps because they do not worry about embarrassment or punishment.
- Although the charisma of leadership tends to be associated with larger than life individuals who weave inspirational spells, charisma can become a property of a whole group of people who believe in one another and the power of their teamwork.

## **Leaders supporting leadership: The cornerstones of confidence**

- Leaders can multiply on the field when leaders at the top establish the support structure to make further leadership possible. Leaders construct and reinforce the cornerstones of confidence as shown so vividly in the turnarounds described. The mission statement for leaders has three imperatives, one for each stone: to ensure accountability, cultivate collaboration, and encourage initiative.
- **Individual and System Accountability.** Leaders keep the mirror of accountability polished and clear. The job of leaders in every sector and system involves:
  - Fostering straight talk
  - Communicating expectations clearly
  - Making information transparent and accessible
- **Mutual Respect, Communication and Collaboration.** Confidence blossoms when people feel connected rather than isolated, when they are willing to engage and commit to one another, when they can act together to solve problems and produce results, ignoring boundaries between them. Items that leaders should place on their agenda to foster collaboration include:
  - Structuring collaborative conversations
  - Reinforcing respect and inclusion
  - Defining joint goals and collective definitions of success
- **Initiative, Imagination, and Innovation.** Confidence is enhanced when it is clear that people are empowered to take action, solve problems, to voice their ideas, to create innovations. Leaders can develop tools, channels, rewards, and permission for people around them to take initiative by:
  - Opening channels for new ideas
  - Treating people as experts in their own work
  - Encouraging small wins and grassroots innovations





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- Leaders live on the boundaries. They connect people to tasks, members of the team to one another, and the whole system to the world outside the borders of the organization. The ultimate work of leaders lies in the connection between the groups and the wider network that provides support, loyalty, revenues, or capital. Leaders must prove to those in the wider circle that their investments are warranted.
- Heads of teams, organizations, and nations define a culture of winning and losing, success or failure, by the choices they make in their messages, personal examples, and formal programs.
- Which end of the scale a leader chooses sets the standard for negative or positive behavior, restricts or opens opportunities for action, depresses energy or raises spirits, and influences how much people are willing to invest.
- Leaders who guide winning streaks make a different set of choices, toward positive, inclusive, empowering actions that build confidence. By believing in other people, they make it possible for others to believe in them. Working together, they increase the likelihood of success, and of continuing to succeed.

### Winning Streaks, Losing Streaks, and the Game of Life

- By now, the secret of winning should be clear: *Try not to lose twice.*
- Confidence brings the resilience to bounce back from defeat to victory – in business, sports, in professions, in politics or in life.
- Confidence does not guarantee that you will win every single time. But what confidence does make more likely is that accountability, collaboration, and initiative will kick in to shape positive expectations for the next round. Feeling that they can uncover weaknesses and transcend them, winners are more likely to analyze problems and face them head-on, communicate and cooperate with those whose support they need, and take initiative to make adjustments or try innovations.
- People with confidence feel they can count on themselves, on other people, and count on shaping events.
- Confidence motivates people to put in extra effort and stay in the game no matter what.
- Most people fall into that vast middle territory of “win some, lose some” and that is an unstable state.
- Confidence guides many personal decisions about what to do next.
- Weakening accountability, deteriorating relationships, and disappearing initiative are signs that there is further trouble ahead. Secrecy, denial, blame-shifting, scorn for others, avoidance of contact, and turf protection provoke similar reactions in other people, and the cycle of decline begins.
- As others shut off the flow of information and contact, as others react by pointing fingers across territories, as others similarly express scorn for people in the system, everyone feels punished. These responses make it harder to solve problems.





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- Turnarounds are proof that people can change. Despite the power of cycles to shape behavior, the influence of leaders can change it. Human behavior is propelled by cycles but not confined by them. People can get swept up in the momentum, but they can also fight against it. That's why it is possible to learn a great deal about winning from losing.
- The only good thing about losing is that it sounds an alarm bell. If people hear the wake-up call and heed it, losing can shake them out of complacency and into action.
- The point at which people have the most control is at the time of the first losses, when the first signs that something is slipping become apparent.
- Later, when a streak has hardened, a cycle is in motion. As patterns are established, it is much more difficult to change course.
- But the first setbacks present a choice point: whether to firm up the cornerstones of confidence – a sense of personal responsibility, respect for others, the desire to do something to make a difference – or to slip into self-defeating behavior. The dividing line between winning streaks and losing streaks is the choice of behavior in response to setbacks.
- The decision to build rather than retreat, to rally rather than get discouraged, involves viewing setbacks through an optimistic lens, as an opportunity to learn and move on.
- Putting events in perspective, staying calm under pressure, and remembering responsibilities to other people helps prevent panic and keeps the mood positive. This requires as much discipline as the development of technical skills.
- From the simplest ball games to the most complicated business and political situations, the common element is a basic truth about people: People rise to the occasion when they have the confidence to do it.

**Recommendation:** What I was unable to capture in this summary was the power of story telling as the way to teach valuable lessons. This book is full of stories of winning and losing teams and companies large and small. The stories really intensify the valuable information in this book.

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