

Developing Employees

Making Business Personal

by Robert Kegan, Lisa Lahey, Andy Fleming, and Matthew Miller

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Summary. Reprint: R1404B Most people expend a lot of energy at work attempting to hide their inadequacies from colleagues. The authors believe that this is the single biggest cause of wasted resources in nearly every company today. When they went in search of... [more](#)

To an extent that we ourselves are only beginning to appreciate, most people at work, even in high-performing organizations, divert considerable energy every day to a second job that no one has hired them to do: preserving their reputations, putting their best selves forward, and hiding their inadequacies from others and themselves. We believe this is the single biggest cause of wasted resources in nearly every company today.

What would happen if people felt no need to do this second job? What if, instead of hiding their weaknesses, they were comfortable acknowledging and learning from them? What if companies made this possible by creating a culture in which people could see their mistakes not as vulnerabilities but as prime opportunities for personal growth?

For three years now, we've been searching for such companies—what we think of as *deliberately developmental organizations*. We asked our extended network of colleagues in academia, consulting, HR, and C-suites if they knew of any organizations that are committed to developing *every one* of their people by

weaving personal growth into daily work. We were looking for companies anywhere in the world, public or private, with at least 100 employees and a track record of at least five years.

All that scanning turned up only about 20 companies. In this small pond, two of them stood out: Bridgewater Associates, an East Coast investment firm, and the Decurion Corporation, a California company that owns and manages real estate, movie theaters, and a senior living center. Both had been meeting our definition of a deliberately developmental organization for more than 10 years. Happily, they were in very different businesses and were willing to be studied in depth.

These companies operate on the foundational assumptions that adults can grow; that not only is attention to the bottom line *and* the personal growth of all employees desirable, but the two are interdependent; that both profitability and individual development rely on structures that are built into every aspect of how the company operates; and that people grow through the proper combination of challenge and support, which includes recognizing and transcending their blind spots, limitations, and internal resistance to change. For this approach to succeed, employees (Decurion prefers to call them members) must be willing to reveal their inadequacies at work—not just their business-as-usual, got-it-all-together selves—and the organization must create a trustworthy and reliable community to make such exposure safe.

As you might guess, that isn't easy or comfortable. But by continually working to meet these linked obligations, deliberately developmental organizations may have found a way to steadily improve performance without simply improving what they're currently doing. That's because progress for their employees means becoming not only more capable and conventionally successful but also more flexible, creative, and resilient in the face of the challenges—for both personal and organizational growth—that these companies deliberately set before them.

The Companies

Bridgewater Associates, based in Westport, Connecticut, manages approximately \$150 billion in global investments in two hedge funds—Pure Alpha Strategy and All Weather Strategy—for institutional clients such as foreign governments, central banks, corporate and public pension funds, university endowments, and charitable foundations. The company began in a two-bedroom apartment in 1975 and is still privately held, currently employing about 1,400 people.

Throughout its nearly four decades, Bridgewater has been recognized as a top-performing money manager; it has won more than 40 industry awards in the past five years alone. At the time of this writing, the Pure Alpha fund had had only one losing year and had gained an average of 14% a year since its founding, in 1991. The All Weather fund, which is designed to make money during good times and bad, has been up 9.5% a year since its launch, in 1996, and delivered an astonishing 34% return from 2009 through 2011, even as the hedge fund industry as a whole underperformed the S&P 500. (The fund apparently did lose money in 2013, according to the *New York Times*.) In both 2010 and 2011 Bridgewater was ranked by *Institutional Investor's Alpha* as the largest and best-performing hedge fund manager in the world. In 2012 the *Economist* credited the firm with having made more money for its investors than any other hedge fund in history. (The previous record holder was George Soros's Quantum Endowment Fund.)

Across the country, in Los Angeles, Decurion employs approximately 1,100 people to manage a portfolio of companies including Robertson Properties Group, with retail and commercial projects in California, Hawaii, and the Pacific Northwest; Pacific Theatres and ArcLight Cinemas; and its newest venture, Hollybrook Senior Living. In May 2011 *Retail Traffic* magazine recognized Robertson Properties as one of the 100 largest shopping center owners and managers in the United States. Pacific and ArcLight combined have the highest gross per screen in North America. ArcLight's revenues have grown by 72%

in four years—from \$47 million in 2009 to \$81 million in 2013. In 2012 *Forbes* named ArcLight’s flagship cinema, ArcLight Hollywood, one of the 10 best movie theaters in the United States.

We have spent more than 100 hours each with Bridgewater and Decurion, observing their practices and interviewing their people, from the most senior leaders to the newest recruits. Virtually no aspect of either company was declared off-limits to us. From the extensive data we collected, we extracted the common traits that, we believe, set these companies apart. We shared our observations and generalizations with both of them and seriously considered their suggestions and impressions. Neither one asked us to alter any of our conclusions.

We acknowledge that a deliberately developmental organization is not for everyone—just as the Jesuits are not the only good choice for every man with a fervent religious calling, or the Navy Seals for every committed commander. But we offer our observations of these two companies as evidence that quests for business excellence and individual fulfillment need not be at odds—and that they can be combined in such a way that each causes the other to flourish.

The Practices

Ordinarily, people acknowledge their vulnerability and imperfections only in rare moments behind closed doors with trusted advisers who swear to protect their privacy. But what we saw at Decurion and Bridgewater was a pervasive effort to enable employees to feel valuable even when they’re screwing up—to see limitations not as failures but as their “growing edge,” the path to the next level of performance.

Getting to the other side.

Transcending your limits—which Bridgewater calls *getting to the other side*—involves overcoming the fight-or-flight response occasioned by confronting what you are working on about yourself. In a traditional company, root-cause analysis of a

problem will stop shy of crossing into an employee's interior world. At Bridgewater, examining a failed investment decision certainly includes a root-cause analysis of the specific data, decision criteria, and steps taken to make the investments. But it goes further, asking, "What is it about how you—the responsible party and shaper of this process—were thinking that might have led to an inadequate decision?"

Consider, for instance, how one Bridgewater employee, John Woody, confronted what CEO Ray Dalio called his "reliability problems," as recorded in a 2013 Harvard Business School case prepared by Jeffrey Polzer and Heidi Gardner. Pulling no punches, Dalio told Woody that the perception across the organization was that he could not be counted on. Woody's immediate reaction was to angrily reject the feedback. But he did not go off to nurse his grievances or even to uncritically accept what he'd heard. As he began to consider the exchange, he first saw the irony of his reaction. "Here we pride ourselves on being logical and facing the truth, but my initial response was 'You're wrong!' which is me already being illogical," he says. "Even if what he was saying was not true, I was giving him no chance to show me it might be."

After continued reflection and conversations with many people in the organization over many weeks, Woody began to recognize in himself a behavior pattern "that goes all the way back to when I was a kid": He resisted others' control and oversight and was quick to anger when challenged. Looking at the gap between how he wanted to be seen and how he was seen, he realized that he wanted to be "the guy you could give the ball to on the two-yard line"—but that others did not perceive him that way. "People were saying they are unsure I'll even be there to catch it, let alone be able to run it in. And that hurt."

Early on, nearly everyone finds this level of vulnerability disorienting, no matter how enthusiastic he or she may have been about the culture during the hiring process. Dalio acknowledged this fact in a companywide e-mail with the subject line "I fail

every day,” in which he challenged employees with this question: “Do you worry more about how good you are or about how fast you are learning?” Shifting focus from the former to the latter can lead simultaneously to important personal changes and increased business effectiveness.

Leading a Deliberately Developmental Organization

If you are a leader who wants to build a DDO, you should understand that you can't want it just for the company. You ...



When Inna Markus, a member of our research team, asked Woody what progress he was making on his reliability problem, he insisted that he still had a long way to go. Yet it is clear that he has come quite a distance already: “I prioritize more ruthlessly,” he says, “pause longer and more thoughtfully before promising things to others, visualize more granularly how I will actually get something done, check in with those who ask things of me more frequently and with more questions, and lean on those around me much more explicitly now than I ever did.”

Bridgewater uses a variety of tools and practices to help people learn to treat errors as growth opportunities. For instance, all employees record problems and failures in a companywide “issues log,” detailing their own contributions to mistakes. Logging in errors and problems is applauded and rewarded. Not recording a mistake is viewed as a serious breach of duty. Another reflective practice involves a “pain button” app, which is installed on everyone’s company-issued iPad and allows employees to share experiences of negative emotions at work—especially those that raise their defenses.

Openly acknowledging those experiences prompts follow-up conversations among the parties involved as they seek to explore the “truth of the situation” and identify ways to address the underlying causes. In one such conversation, a senior manager led members of a work group through a collective diagnosis of why a previous meeting had meandered and failed to reach a productive conclusion. Everyone offered thoughts. The employee who’d led that meeting agreed that he’d gotten wrapped up in defending his own and his colleagues’ shoddy work. More than that, he allowed, this was an instance of a bigger, previously unacknowledged tendency he had to worry more about looking good than about achieving the business goal. At most companies a conversation like this would rarely turn toward examining an employee’s habitual way of thinking—and if it did, it would be in a closed-door performance review. At Bridgewater such analysis happens in routine meetings with colleagues.

Closing the gaps.

Ordinarily, in an effort to protect ourselves, we allow gaps to form—between plans and actions, between ourselves and others, between who we are at work and our “real selves,” between what we say at the coffee machine and what we say in the meeting room. These gaps are most often created by the conversations we are *not* having, the synchronicities with others we’re *not* achieving, and the work that, out of self-protection, we’re avoiding.

To help close these gaps, and to gain more immediate access to the business issues at stake, Bridgewater and Decurion have created discussion formats that allow employees to speak authentically about the personal dimensions of those issues. Bridgewater uses a group probing of an individual’s reasoning, as described above. Decurion conducts what it calls a fishbowl conversation, in which several people sit in the middle of a circle of their colleagues. In one such conversation we watched three employees from the IT, marketing, and operations arms of the theater business talk about why a new customer-loyalty program seemed to be stalling. The COO of the theater division suspected

that these three key players were not communicating effectively. So she asked them to describe how they were experiencing the situation. The fishbowl format enabled the wider theater managers' group to listen to, learn from, and participate in the conversation. With careful facilitation by another senior manager, the three were able to express the ways in which they each felt shut out or shut down by the other two when decisions were made and information should have been shared. Each also identified some personal trigger or blind spot that had led him or her to shut down one of the others. They could then reach agreement in the presence of colleagues about how to proceed in a different way. Because dialogues like these are routine, people view them as a healthy exercise in sharing vulnerability, rather than a rare and threatening experience.

Over time, exposing one's own vulnerability feels less risky and more worthwhile as people repeatedly witness and participate in conversations about conflict, revelations of their colleagues' weaknesses, and discussions of the undiscussable. In fact, these organizations' most surprising and hopeful accomplishment may be converting their employees' default view of the "unimaginably bad" (*If I risk showing my weaknesses, it will be just horrible!*) into a sense of developmental progress (*If I risk showing my weaknesses, nothing bad will happen to me, I'll probably learn something, and I'll be better for it in the end*). The gap between who they really are and who they think they need to be at work diminishes or even disappears.

Constructive destabilization.

Deliberately developmental organizations don't just accept their employees' inadequacies; they cultivate them. Both Bridgewater and Decurion give a lot of attention to finding a good fit between the person and the role. But here "good fit" means being regularly, though manageably, in over your head—what we call *constructive destabilization*. Constantly finding yourself a bit at sea is destabilizing. Working through that is constructive. At both companies, if it's clear that you can perform all your responsibilities at a high level, you are no longer in the right job. If

you want to stay in that job, having finally mastered it, you'll be seen as someone who prefers to coast—and should be working for a different kind of company.

Joining a Deliberately Developmental Organization

Ray Dalio and one of us (Bob Kegan) were present for the initial presentation of a Harvard Business School case ...



Many organizations offer people stretch assignments. Some commonly rotate high potentials through a series of stretch jobs. At Bridgewater and Decurion all jobs are stretch jobs. As Dalio puts it, “Every job should be like a towrope, so that as you grab hold of the job, the very process of doing the work pulls you up the mountain.”

Decurion's ArcLight Cinemas has an elaborate set of practices that allow managers at all levels to facilitate constructive destabilization by matching individuals and groups to appropriate development opportunities. The general manager at each location uses data about individual growth to identify ideal job assignments for every employee every week—assignments meant to serve both the crew member's development and the company's business needs. The management team at each location meets weekly to discuss the goals and performance of each hourly employee and to decide whether someone is ready for more responsibility—say, a reassignment from ticket taker to auditorium scout. (Scouts move from one screen to another looking for ways to assist customers; the job requires a fair amount of initiative, creativity, problem solving, and diplomacy.)

As employees demonstrate new capabilities, their progress is recorded on “competency boards,” which are set up in a central back-of-house location in each theater. Colored pins on these boards indicate the capability level of each employee in 15 identified job competencies. This information is used to schedule shift rotations, facilitate peer mentoring, and set expectations for learning as part of a development pipeline. The process meshes individuals’ skills with organizational requirements; everyone can see how important individual growth is to the business and how everyone else’s job knowledge is expanding. At weekly meetings about a dozen home-office executives and movie house general managers review a dashboard showing theater-level and circuit-level business metrics, which include not only traditional industry data on attendance and sales but also the number of crew members ready for promotion to the first tier of management.

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Matching a person to an appropriate stretch job is only half the equation. The other half is aligning the job with the person. Decurion creates numerous opportunities for employees to connect their day-to-day work with what is meaningful to them. At most team meetings, for instance, structured check-ins at the beginning and checkouts at the end allow people to identify ways in which they feel connected to—or disconnected from—the work at hand and their colleagues. A manager might, for instance, describe a communication breakthrough with a colleague and how it has made a shared project even more meaningful. Another

manager might report on progress in curbing her tendency to jump in and save the day rather than let the team step up and feel fully accountable.

At one-on-one “touchpoint” meetings with their managers—which happen frequently at all levels of the company—employees can discuss how to realize their personal goals through opportunities tied to Decurion’s business needs. One member of a theater crew, for instance, who aspired to become a set decorator (outside Decurion), told us that such a dialogue prompted her general manager to involve her in decor for special events at the cinema—an activity far beyond the scope of her job—in order to align her personal interests with an organizational goal.

For a company to match people with jobs on a continual and granular basis requires that no particular job be dependent on or identified with a single person. That means relinquishing the security of being able to count on someone with long tenure and expertise in a certain role. One senior executive told us, “The purpose of your expertise is to give it away [to the next person coming up]. That sounds wonderful, but in practice—and I have experienced this personally—it is not always easy.” Still, all those people constantly growing into ever-changing roles create an organization that becomes more resilient even as it improves the execution of its current strategy.

Everyone is a designer.

If something isn’t working optimally at Bridgewater or Decurion, it’s everyone’s responsibility to scrutinize and address the design of the underlying process. For example, frequent “pulse-check huddles” at Decurion allow theater crew members to analyze how a previous set of shows went. In these huddles we saw 17-year-old employees give and receive feedback with their peers and managers about problems in floor operations and ways to improve service for the next set of shows. These young people had learned early on to read the details of the theater’s profit-and-loss statement so that they could understand how every aspect of

operations (and, by extension, their own actions) contributed to its short- and long-term profitability. When offering ideas for improvements—such as changes in food preparation or readying 3-D glasses for distribution—they spoke in terms of their effect on the guest experience and the financial health of the business.

If a new line of business is being launched, a team will spend lavish amounts of time designing the right process for managing the work. Decurion’s employees operate on the assumption that structure drives behavior, so they often focus on subtle aspects of organizational design, such as how offices are arranged, how frequently conversations happen, and what tasks will require collaboration among which people. Unlike Lean Six Sigma and other quality improvement approaches, process improvement at Decurion and Bridgewater integrates a traditional analysis of production errors and anomalies with efforts to correct employees’ “interior production errors and anomalies”—that is, their faulty thinking and invalid assumptions.

A major initiative at ArcLight, for example, involved creating teams made up of marketing professionals from the home office and general managers of individual theaters. The company reasoned that if the friction and misunderstanding that typically exist between these groups could be overcome by focusing their collective expertise in small, location-specific teams, improved local film and special-event marketing would produce millions in additional revenue. We observed several such teams holding regular meetings in which they shared ways they were learning to work effectively together and things that still needed improvement. From these discussions it became apparent that audiences varied more from cinema to cinema than the home-office marketers had realized. As they integrated general managers’ specialized knowledge about their customers into a nimbler social media strategy, the group’s financial performance improved. The managers and marketers stretched themselves to pull together in a new way—and hit new revenue targets. ArcLight’s people were as likely to tell us that those revenue

targets were designed to stretch people's capabilities as the other way around, illustrating the integrated nature of business and personal development at the company.

Taking the time for growth.

When people first hear stories like these, a common reaction is “I can't believe the time they devote to the people processes,” usually in a tone suggesting “This is crazy! How can you do this and get anything done?” But Decurion and Bridgewater are not just successful incubators of employee development; they are successful by conventional business benchmarks. Clearly they *do* get things done, and very well.

The simple explanation is that these companies look differently at how they spend time. Conventional organizations may pride themselves on how efficiently they agree on solutions to problems. But do they have so many “efficient” meetings because they haven't identified the personal issues and group dynamics that underlie recurring versions of the same problem? A senior investment analyst at Bridgewater puts it this way: “[The company] calls you on your ‘bad,’ but, much more than that, it basically takes the position that *you* can do something about this, become a better version of yourself, and when you do, we will be a better company because of it.”

The Community

If people must be vulnerable in order to grow, they need a community that will make them feel safe. Deliberately developmental organizations create that community through virtues common to many high-performance organizations—accountability, transparency, and support. But, arguably, they take them to a level that even the most progressive conventional organizations might find uncomfortable.

Accountability.

Bridgewater and Decurion are not flat organizations. They have hierarchies. People report to other people. Tough decisions are made. Businesses are shuttered. People are let go. But rank doesn't give top executives a free pass on the merit of their ideas, nor does it exempt them from the disagreement or friendly advice of those lower down or from the requirement to keep growing and changing to serve the needs of the business and themselves.

Senior leaders are governed by the same structures and practices that apply to other employees. At Decurion they take part in check-ins, sharing their own concerns and failures. At Bridgewater their performance reviews are public, as are all other employees'. And every one of those reviews mentions areas of needed improvement—if they didn't, that would mean those leaders were in the wrong roles.

Thus Dalio explicitly states that he doesn't want his employees to accept a word he says until they have critically examined it for themselves. And Christopher Forman, Decurion's president, has helped create a voluntary 10-week course, The Practice of Self-Management, which many employees have taken several times. The course is taught by Forman and other Decurion leaders, including the head of the real estate company, who told us, "My colleagues didn't feel I'd mastered the material, so they asked me to teach it myself next time around. A typical Decurion move, this caused me to understand the ideas and practices at a much deeper level and to see how to apply them to the businesses."

Transparency.

When, in 2008, Decurion's leaders decided to reduce the size of the headquarters staff by 65%, external experts advised them not to tell the employees until the last possible moment, to avoid damaging morale and to prevent the people they wanted to retain from seeking other positions. Instead, they announced their decision immediately.

They enlisted everyone in the transition process, sugarcoated nothing, and shared the financial details behind the decision. Forman explains, “We chose to trust that people could hold this [information].” No resignations followed. Why? “We created a context in which everyone was able to contribute and to grow,” Forman says, “both those who wound up staying with the company and those who left.” Trusting employees in this way enabled them to reciprocate, to believe that the downsizing was a growth experience that would make them more valuable to the organization—or to future employers.

At Bridgewater every meeting is recorded, and unless proprietary client information was discussed, all employees have access to every recording. All offices are equipped with audio or video recording technology. If an employee’s bosses discuss his performance and he wasn’t invited to the meeting, the tape is available to him. And he doesn’t have to scour every tape to find out if he was the subject of some closed-door conversation. In fact, he’s likely to be given a heads-up so that he *will* review the tape.

Initially, Bridgewater’s attorneys strenuously advised against this practice. But no longer. In three lawsuits subsequent to its initiation, all three rulings favored Bridgewater precisely because the company could produce the relevant tapes. “And if the tapes show we *did* do something wrong,” one senior leader told us, “then we *should* receive a negative judgment.”

Support.

At both companies everyone from entry-level worker to CEO has a “crew”—an ongoing group that can be counted on to support his or her growth, both professionally and personally. Certainly, good teams in conventional companies also offer moral support. People form bonds, trust one another, and talk about personal things that relate to work and to life beyond work. But these conversations are usually about coping with the potentially destabilizing stresses of the job. In a deliberately developmental organization,

the crew is meant to be as much an instrument of that destabilization as a support of one's growth through vulnerability. Decurion and Bridgewater people, including industry leaders whose prior work at other companies had been marked by extraordinary success, mentioned again and again that they felt "ill-equipped," "immobilized," "out on a rope without a net," "beyond my competencies," "repeatedly ineffective with no guarantees I would get it." And yet a team that tried to support someone by reducing destabilization—*restoring* equilibrium—would be seen as doing him no service at all. Many fine organizations that are not deliberately developmental and may have no interest in becoming so are nonetheless able to create cultures that foster a sense of family fellowship. They demonstrate that a deep sense of human connectedness at work can be unleashed in many ways. But a deliberately developmental organization may create a special kind of community. Experiencing yourself as incomplete or inadequate but still included, accepted, and valued—and recognizing the very capable people around you as also incomplete but likewise valuable—seems to give rise to qualities of compassion and appreciation that can benefit all relationships.

As psychologists, we have sometimes seen this unusual kind of connection among the members of a personal-learning program or a facilitated support group. From such groups we can glimpse the possibility of a new kind of community, as we take up the interior work of our own growth. But these programs are not meant to be permanent or to address the work of the world. By their existence as vibrant, successful companies, Decurion and Bridgewater offer a form of proof that the quest for business excellence and the search for personal realization need not be mutually exclusive—and can, in fact, be essential to each other.

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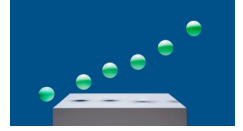
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