

# In The Trenches\_ Conversation ...ith Dr. Laurence G. Weinzimmer

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## **SPEAKERS**

Dr. Larry Weinzimmer, Steve Divitkos

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**S****Steve Divitkos 00:00**

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**D****Dr. Larry Weinzimmer 03:41**

Glad to be here, Steve.

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Steve Divitkos 03:43

Really happy to have you. And maybe before we begin, you can just tell us a little bit about yourself and the major stops along your career journey and what you're doing today.

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Dr. Larry Weinzimmer 03:53

Yeah, great. And so I actually started my career at Accenture as a consultant and was in their original strategic planning group, and that really got me interested in strategy. At about the same time, one of my professors from my master's degree kept bothering me, like Larry, you should go into academia. It's like, no, I want to be a consultant, I want to be in industry. And every six months or so, he called me, and after a few years, he wore me down, and I decided to go back, get a PhD in strategic planning, and then had a 32 year career at Bradley University as a chaired research professor. During that time, I also have started three different consulting companies, and during that time also have really, as a research professor, professor had a lot of opportunity to publish papers. I've published hundreds of empirical studies that have been translated in over 15 languages, and I've also written four books. My most recent book did pretty well, it was hit number three on the Wall Street Journal bestseller list, number one on the Barnes and Noble bestseller list, and that was really launched a lot of speaking opportunities as well. And so in addition to consulting, I do keynote speaking and executive development, specifically leadership development as well, and right now I'm actually working with a couple of healthcare networks where physicians have been thrown into leadership positions, just because you're a great surgeon doesn't mean you're a great leader, Steve. And so give them the leadership skills they need to succeed and thrive as leaders.

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Steve Divitkos 05:34

And among all of that work, the specific piece of work that caught my attention was a book called *The Wisdom of Failure*, and I know you didn't exactly write the book yesterday, but I actually really love the idea of interviewing authors who have had the benefit of hindsight, just to see what has changed, if anything, in their perspectives and their lessons and their takeaways. So, we're going to get into all of that today, but before we do that, I'm just curious, what compelled you to write this book in the first place?

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**Dr. Larry Weinzimmer 06:02**

Yeah, great question, Steven. So, when I wrote this book, you know, I literally sat at a table at a coffee shop at a Barnes and Noble, pulled all the leadership books off the shelf, and they all said the same thing: if you want to be a leader, here's what you need to do to be a great leader, and if it was that easy, we'd all be great leaders, right? And in those books, like, you know, the 10 best things you need to do to be a great leader, the seven most effective habits of most effective people. So all of these lists of things you need to do to be great, a great leader. And you know, if the sky is always blue and the road is always smooth, these tactics work pretty, pretty well, but the sky's not always blue, and the road's not always smooth. And so rather than trying to come up with a leadership book that came up with another set of lists for an easy situation, I decided to take the opposite view, and rather than here's what you need to do to be a great leader. I wanted to do something different, and I wrote a book on here's what you shouldn't do to be a great leader. In my analogy on this, I am a recovering competitive triathlete, and if you've ever ridden a road bike, you know riding into the wind is great. You know you're riding down wind, you're not grinding too hard, the wind's at your back, so you can hear your tires on the road, and then when you turn around and ride into the wind, it's brutal, you're grinding, it's loud, it's uncomfortable, and the triathlete that wins a race isn't the one that rides best in the best downwind, the winner is the one that rides best into the wind. And the biking part is the longest part of triathlon, usually determines a winner, and it's that person that can grind into the wind the best that's going to win the race. And same leadership, what defines a great leader isn't shepherding things when everything's going great, it's when things get tough. How do you handle yourself as a leader? And time and time again, I have seen supposedly great leaders, some authors of big leadership books, as a matter of fact, that were great leaders writing downwind, but when they turned around into the wind, they failed quickly. So I really wanted to write a book about, hey, you know, here are the things you shouldn't do to be a great leader, and apparently it was a good message, and the book did really well.

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**Steve Divitkos 08:26**

I mean, if you can put yourself back in that place, the time during which you decided to write this book, at that time in your life, did you have any quote unquote failures or challenges or headwinds that you kind of leaned on as evidence that persisting through and managing through failures is a deeply important thing to learn from anything like personally that really resonated with you at that time?

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Dr. Larry Weinzimmer 08:51

Yeah, so in the publishing world in academia it's somewhat of a game, and I had a, you know, you go, you submit a paper, and hopefully you get a chance to revise and resubmit it. You have experts review the paper, and then you have to appease their comments. And early in my career, I disagreed with a reviewer, and I came up with a mathematical proof to show him that he was wrong in his comment on some of my research, and of course, my paper was rejected. Think, well, if only my fellow faculty members knew this, you can't do that. You need to thank them for what they suggested and work around it. You know, that would be so beneficial to them. And so I've made that mistake, and if I could share that with them, they can avoid that mistake. And that's really the subtitle of the book, *How to Avoid the Tough Leadership Lessons Without Paying the Price*. So I interviewed numerous CEOs for this book, and really the precursor to the book, and what really motivated me to do this, I was talking to a former CEO at Caterpillar Inc, Don Fites, and he said that. It about before he became CEO, he started becoming a student of failure, and what he meant by that was he would watch other leaders before him make mistakes, take notes of it, so that he would never make those mistakes himself. So absolutely, a lot of value and learning from our failures.

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Steve Divitkos 10:18

So, at a high level, we know that. Well, I mean, for those who haven't read the book, people listening to this will know that at a high level, the book is about extracting lessons and wisdom from things that don't go according to plan. It's also about effectively what not to do. But maybe if you can go one level deeper, for those who haven't yet read the book, if you could just quickly summarize, like the major premise or theses that the book explores.

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Dr. Larry Weinzimmer 10:43

Yeah, great. So the book really takes a look at what leaders, what you shouldn't do to be a great leader, right? And so it takes a look at three different levels, I call them the mezzo, the macro, and the micro, and actually that macro for so at the macro level, that's as a leader, what do you need to do as a leader to guide your organization strategically? And so at a macro level it's understanding how your company fits in the larger picture, and how do you navigate and orchestrate the strategy for the organization? If the mezzo or mid level, it's team team management. How do you effectively manage your team? How do you effectively manage your people? How do you effectively create a high-performance culture, and then at the micro level, that's intrapersonal, or you as an individual, and try to be cognizant of things like arrogance and hubris.

**S****Steve Divitkos 11:40**

Yeah, yeah, yeah, and I'm glad that you mentioned that, because that's actually where I want to start our discussion today. So, so broadly, I'd love to divide our discussion today into basically two buckets. The first is personal consideration, so basically like managing yourself, as you just mentioned, and then the second half of the conversation we'll talk about managing your business, managing your organization. But I do want to start with a personal, because as a former CEO myself, this was probably the most deeply personal journey that I've ever been on, and when I read your book, I mean, again, like the major takeaway for me is that failure is not just inevitable, it actually is something deeper than that, it's basically like the primary source of meaningful growth and long-term success. So, as I was thinking about that, I wondered aloud, like, does this idea of, hey, not only is failure inevitable, it's actually deeply important for growth and learning. Does that tend to be hard to digest for, like, the type A overachiever who tends to derive a lot of happiness and self-worth from the concepts of like regular success and achievement, not that I know anything about that personally, of course.

**D****Dr. Larry Weinzimmer 12:47**

Yeah, of course, absolutely. And those that are more achievement-oriented are going to struggle with looking at failure as opportunity. AJ Lafley, a former CEO at Procter and Gamble, said that failure is actually a gift, it's something you can, you know, you learn much more from your failures than you do successes. And your question, Steve, if you are a high achiever, you don't want to fail. And quite honestly, in most countries, and we can talk about it's fascinating in different countries, the concept of failure is very different culturally. But in most countries, and let's talk North America now, failure, you know, your performance is assessed on your successes, not your failure, so there's this tremendous pressure to succeed, and if you're a high achievement motivated person combined with Type A personality, where you're high, you're high energy, you want to achieve, you want to succeed, and that's really what gets you excited. Failure is tough to accept, and where it gets extreme is when you start moving toward perfectionism, right. A lot of people, especially Type A personalities, high achievement oriented, are perfectionists, and perfectionism, as you've experienced as a former CEO, perfection doesn't exist, right? You know, we, we teach our kids in practice makes perfect, strive for perfection, but to err is human, right? So we are going to make mistakes, we are going to fail, and so to embrace those is really important. And what happens when somebody moves toward the end of the spectrum of perfectionism, since they don't want to fail what they start doing, and they're not even aware of this, and this could be an important lesson for a young CEO, for example, that you start setting the bar a little bit lower, so you don't fail. That's the biggest mistake of all, when you stop taking the necessary risks and you settle in and you stop, you know, you. You stop growing as a leader because you don't want to ever fail.

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Steve Divitkos 15:03

Yeah, and that tends to be more of like a psychological protection mechanism, meaning like, hey, if I don't give it the entirety of my effort and I fail, I'll at least be able to explain myself, explain to myself that, well, I only failed because I didn't exert 100% of my effort towards this thing.

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Dr. Larry Weinzimmer 15:24

Yeah, and when you combine that with hubris, where you don't believe you can fail, that's when it gets dangerous, where you have that perfectionism plus hubris, and that's just a nasty mix of a couple person, personal level or personality level issues, where you stop taking risk because you're not going to fail. You can't fail.

S

Steve Divitkos 15:44

Yeah, you know, there's this idea that I love, that like you can learn something from everybody, and in that spirit, I learned something from my daughter's grade two teacher. If you can believe it, you said practice makes perfect. It's something that we say with the best of intent to our children, but you know, maybe there's a more accurate way to say it, and my daughter's teacher says practice makes progress, and I think that that's a much more constructive way to say it.

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Dr. Larry Weinzimmer 16:12

I love that, that's right. There's a magazine called Fatherly, I did an interview with them a few years ago on parenting, and what you can do to learn from the mistakes you make as a parent, and that is a great parenting lesson too. That if you put pressure on your kids to be perfect, they will fail, and they'll fail hard, as opposed to practice makes progress or strive for excellence rather than perfection.

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Steve Divitkos 16:38

Yeah, so you know it's one thing for achievement-oriented strivers to hear this, and like intellectually understand that perfection is impossible. Failure, if kind of treated properly, can be a good thing, I guess. Like, tactically, I assume there's no silver bullet, but like, how does one flip the switch? How, like, tactically does one begin to teach themselves that perfection is not possible, it's not the goal to which we should be striving, and in fact, we can turn it into a large net positive.

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Dr. Larry Weinzimmer 17:17

Yeah, great question again. And so, really, and I can't remember if I talked about this in the book or not, but the idea of having a truth teller surround yourself with people that will call you out, and I had a chance to meet Jack Welch, the late great Jack Welch, many years ago. I had another book that came out, and it was translated into Mandarin, and I was doing the Chinese book tour, along with Jack, and that's when his book came out. Jack. And Jack Welch, big on Jack Welch, you know, his book was called Jack, had the Jack Welch Institute, and I met him at the Pudong Airport, and I asked him, you know, Jack, what makes you, what made you so successful as a leader, and because he's he was so big on himself, I was, I was expecting to answer, I'm a really great person, I'm a great leader, but he said surprisingly to me, Steve, I surround myself with the smartest people I can, who will call me out if they need to. And I saw this again, I had an interview for this book with George Rubinsen, former president of Allstate Property Casualty, and he said he was driving home from work one day, thinking he was the luckiest person in the world, because his leadership team had just called him out on something, and they had the psychological safety, or the ability to call him out without the fear of repercussion, which is basically the definition of psychological safety. And you know, he thought he was so lucky that he could create a culture on his leadership team where they were allowed to do that. So, I think to start with, as a high-performance leader, it's really hard to see that yourself, and so you need somebody or some people that are willing to tell it, tell you when you're making mistakes, when you're, if you're setting the bar too low and you're not taking the risk, whatever that case may be. And then once you do that, it really is a matter of self-awareness and authentic leadership, where you understand that failure will happen, and when that failure happens, what am I going to do to avoid it in the future, as opposed to many leaders, when they make a mistake, or they're called on a mistake, they sweep it under the rug, hoping nobody notices, and then inevitably they'll make the same mistake again.

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Steve Divitkos 19:38

Yeah, so actually, speaking of this, like external objective body, like, like we were discussing before we hit record, many of our listeners, most of our listeners are first time CEOs reporting into a board of directors for the first time, and I can say from firsthand experience in this situation, self doubt, imposter syndrome, the desire to plea. The desire to impress, these are all like very real considerations. So, in an environment like the one that I just described, how can a board create an environment where the CEO feels comfortable admitting mistakes, or maybe just bringing them problems for which there's there is no obvious answer?

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Dr. Larry Weinzimmer 20:18

Sure. Again, great question, Steve. And so, board of directors, first of all, they can create an environment of psychological safety, where, by definition, this was a concept created by Amy Edmondson, a chair, Harvard professor. She actually wrote an endorsement for the book, and that's the ability to create an environment where you can speak up, you don't have to be silent without the fear of repercussion, which is really important. But more importantly, for a board of directors, is to create an environment or a culture of mistake tolerance, and that mistakes happen, and what do I mean by mistake tolerance? When mistakes are made, let's talk about it. Let's look at it as a growth opportunity or a learning opportunity. A great analogy for this one, a great story in this one. So, Tom Watson, senior, the founder of IBM, had a vice president. It's true story. And if you know people that work at IBM, I just, a friend of mine just retired from IBM, he, everybody there knew the story. So, founding president, CEO, IBM Tom Watson brought a vice president into his office one day, who just made a \$10 million mistake, which today is probably 50 million, right? And they talked about it for about 30 minutes, and at the end of the conversation, the VP said to Watson, I'm so relieved, I thought you were bringing me in here to fire me because I just made a \$10 million mistake, and Watson starts laughing. He's like, are you kidding? He goes, last thing I would do in the world is fire you. I just invested \$10 million in your training and development. And so that concept of mistake tolerance is really important, understanding that that people make mistakes, your CEO is going to make mistakes, and as a board, you know, I serve on several boards. I love to see when boards serve an advisory function rather than a reporting function. So often with boards of directors, you just report out to them, they say okay, as opposed to no board has expertise they can share with, especially with a young developing CEO, and so look at that as an opportunity to help grow the CEO, rather than just having them report out to you.

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Steve Divitkos 22:37

Among your stable of advisors as a searcher and CEO, your legal team has to be among the most important. If your experience is anything like my own, you're likely to find that your relationship with your legal advisor will span at least a decade and will touch on every single aspect of the journey, from creating your first legal entity to issuing your first LOI, all the way through to due diligence, acquisition, day-to-day legal questions that will arise during your tenure as the CEO, and finally through to the sale of your company. For these reasons, who you partner with isn't something to take lightly. This is why I'm thrilled to be partnering with Kilpatrick, a law firm that is continuing to build upon a foundation that was created over 160 years ago. The firm has more than 650 attorneys across 22 offices worldwide, with clients ranging from startups and search funds to more than 1/3 of the Fortune 50. Kilpatrick is very active within the middle market, having closed more than three and a half billion dollars in transactions in 2025 alone. The firm has a dedicated search fund team who works with searchers across the entire life cycle of the journey, from inception through to acquisition through to exit, when you work with a Kilpatrick search fund attorney, you'll have the confidence of working with someone who has seen it and done it many times before. To learn more, go to [KTSlaw.com/eta](https://ktslaw.com/eta) and tell them that you're a listener of In the Trenches. Yeah, I mean, that all makes perfect sense to me. Are there any, like, almost guard rails that boards should put around this idea of mistake tolerance? Because, like, this idea taken to its extreme, like most things taken to their extreme, is unhealthy, right? So, as a board member, I probably don't want my CEO to make an all or nothing acquisition that can risk the very existence of the company. Right, so are there any like guard rails or rules of thumb around like the types of mistakes that boards should be tolerant of? So, for example, like can I easily change my mind on this? Can we measure whether this works in weeks as opposed to years, is this a mistake that wouldn't be existential to the company? Like, I'm just kind of making these up, but are there like guard rails of sorts that boards can put around these, this mistake tolerance idea?

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Dr. Larry Weinzimmer 24:52

And they should actually. So, with Miss, and I'm literally working on a board right now. Know, with the scenario that you just gave, where we're making a large acquisition, and are we spreading ourselves too thin? If the acquisition, you know, the company is doing really well, and it's a manufacturing company, and they're looking at a large acquisition that, if it doesn't go well, it can bury the company, kind of like remember Borders Books, yeah, Barnesville, yeah, they're not around anymore, are they? Well, then they invested in a company called a Webvan, and it took \$5 million out of their budget, and it literally bankrupted the company in the end, and so putting these, these borders or boundaries on what's acceptable and what's not acceptable is part of the board's responsibility. And here's the kicker, Steve, there are different types of mistakes. Are there stupid mistakes? Absolutely, and those shouldn't be tolerated. Are there mistakes where you know, or you can be setting yourself up for mistake that could be detrimental to longevity of the company, and that's where the board needs to step in. Yeah, so things to think about for a board, I'd say the biggest one is, are you losing strategic direction? So often we chase shiny things, right, and this might be a good transition from talking about the individual to the organization, now actually nice segue in your questions, I didn't even know. But really it's that ability to maintain strategic direction, and so often what happens with an acquisition or a major initiative from a young CEO is that they want to do something that sounds fun and exciting, and they end up chasing pennies with dollars, and can ultimately bankrupt, bankrupt the business. And so that's where the expertise on the board needs to really step in and create those boundaries. And even regardless of the board of directors as a CEO, when you're trying to orchestrate your strategy, when you're trying to lead your company, you always have to think about, you know, is this impacting the strategic direction of the organization or not. The worst thing we can do strategically is be all things to all people and lose that strategic direction.

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Steve Divitkos 27:20

One final question, on the personal side, reading your book, one of the recurring themes to me seem to be the concept of ego, right, not like arrogance, but basically the inability to detach one's identity from being right. So, how central is that idea of ego at a personal level to failure at an organizational level?

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Dr. Larry Weinzimmer 27:47

Inextricably linked, and so ego at the personal level, for any organization, again, whether it's publicly traded, private, board of directors, not board of directors, is really a product of the CEO's behaviors, actions, personality, it has to be, right. Unless it's a holding company, and even then it's still probably reflected in the CEO's personality, but ego becomes a huge issue, and this gets back to the concept of self-awareness and hubris, we talked about as well, where if you, if you believe you can't fail, and you have a couple early successes, which creates overconfidence, that can be really dangerous. And so, yeah, ego is, is really important. In the kicker, here Steve is the more arrogant you are as a leader, the less likely you are going to admit that you have arrogance and hubris,

**S****Steve Divitkos 28:45**

yeah, yeah. So, let's move on to some organizational considerations specific to failure. As we said, like the book basically argues that failure itself is not a problem, but failure without learning can certainly be a problem. But I want to talk about, like, learning. What does that mean? Because my guess is that the act of learning is probably more nuanced than it sounds on the surface. So, let's say an organization has just failed at something, I don't know, they made a bad hire, they released a product that flopped, whatever. Can you walk us through, like, what does the process of good learning look like as tactically as possible, like presumably we're not just sitting around a desk talking about it. What specifically should leaders do to ensure that they are like productively learning from a failure?

**D****Dr. Larry Weinzimmer 29:32**

Well, first of all, you have to be willing to talk about it, and so I'm a big fan of purposefully having postmortem, whether it's a failure or success, when we have a big initiative as a leadership team, let's sit down and talk about what went well and what the consequences of that were. What didn't go well and why didn't it go well? And let's talk about in the future what we need to do differently. I'm working with a large insurance company right now, who shall remain nameless, on their strategic plan, and we're actually designing post mortem meetings for the leadership team after every major strategic initiative. So you know, first of all, recognize what's going on in what happened and what didn't happen, and then, as I said, think about future consequence with that, and every mistake is so nuanced, it's hard to get too much into the weeds on this, in terms of tactically what to do. But just first of all to be open and willing as a top management team to talk about failure, and with this organization, what they're actually doing is taking it beyond the leadership team and they're opening it up to the organization where they're having town hall meetings, not successes, but for their failures, and I'm really trying to encourage them to do it for both, because you have to celebrate your wins, not just focus on your losses.

**S****Steve Divitkos 30:52**

What role does a, you talked about postmortems - what role does a pre-mortem play? So, I remember someone introduced this concept to me, and you know, prior to hearing it, I wasn't familiar with it, but a pre-mortem is basically before the project starts. You say, hypothetically, this project is a massive failure. Why? Let's just discuss why this was a massive failure, and then starts to identify some potential blind spots that you can then act on before the project is a success or a failure. What role, if any, do pre-mortems play in your kind of construct?

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Dr. Larry Weinzimmer 31:26

Yeah, so pre-mortem is, you know, I can argue is a strategic planning, right? You know, thinking about the outcomes, and when I do strategic planning with organizations, you know, we'll take a look at three different scenarios. You know, if things go as planned, here's what we expect to get out of it. If things go better, here's what we expect to get out of it, and if things don't go as well as planned, here's what we expect to get out of it. And again, with each of those scenarios, what do we need to do in that scenario? I think it's important at a high level to talk about pre-mortem possibilities, I think getting too far into the weeds there, and this is where balance comes into play. Steve, there's a fine line between pre-mortem and spinning your wheels. Happen as you get so deep into the weeds on something that might happen that never happens, right? And you spend all this time and energy planning on it, and it never happens, and so I think, it kind of a mezzo, or at a high level, I would say pre-mortem has value. I caution leaders to, to get too, too engaged, too engrossed in pre-mortem, where they start getting down into the weeds, because as human beings we like to talk detail.

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Steve Divitkos 32:45

Yeah, yeah, it's interesting that you say that, because when I was running my company, we had - it wasn't an existential risk, but we had a risk in our business that I worried about all the time. It wouldn't risk the existence of our company, but it might make it 40% smaller than it was, and during my entire seven year tenure as a CEO, I worried about it. And at our quarterly off sites, I would often suggest that we did, like, pre-planning - hey, if this thing happens, what should we do about it? And I remember one time I was caught by surprise, my head of sales at the time said, can we stop talking about this, because I don't think I'm getting any value from it. We're kind of fear-mongering a little bit, and if it happens, then we'll just deal with it at the time. And I just thought that that was.. I mean, it sounds like such an obvious thing to say, but it was so different from the way that I was thinking about it at the time.

D

Dr. Larry Weinzimmer 33:38

Yeah. Well, and again, to be a great leader, you really need to be present, you know. All the guilt and shame of what's happened in the past will never change the past. All the worrying about the future creates anxiety that most, most often won't change the future. And when I was a grad student, true story. I was working for a faculty member sitting in the front office, this old guy walks into the office, he must have been in his 80s at the time, and he's, you know, he goes, 'Son, he goes, you know, don't spend your whole life worrying, because 95% of the things you worry about are never going to happen. Turn around and walked out. I never knew this, I never knew who the man was, never saw him again. But it was really meaningful, and that, yeah, if you spend all of your time worrying about something that might not happen, that energy could be spent on the present, and so again, it's the balance, and if there's no 100 100% rule in being a great leader, no secret to success, but if anything came closest to it, it's balance. So it's balance between being cognizant of future scenarios, but at the same time balancing that with still focusing on the present.

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Steve Divitkos 34:46

I know every quote on the internet is attributed to Mark Twain or Abraham Lincoln. If we don't know who originally said the thing, but I think it's a Mark Twain quote. He said something to the effect of, like, I have known a great many trouble in my life. Life, but most of those troubles never happened. I think, that's exactly what the anxious mind needs to hear.

D

Dr. Larry Weinzimmer 35:06

Yeah, it isn't Mark Twain. I, somebody just mentioned that a couple weeks ago. I don't know where I heard it, but that's so odd that you brought it up right now.

S

Steve Divitkos 35:12

Yeah, yeah, so staying on this topic of organizational failure, you mentioned in the book that meaningful failures, even catastrophic failures, happen gradually over time, and mostly it's because people ignore warning signs. So, my question is, like, are there warning signs that you see typically over and over? Like, are there any common warning signs that maybe we should kind of keep our eyes out for?

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Dr. Larry Weinzimmer 35:40

Yeah, I think probably the most common is focusing internally rather than understanding that your organization is embedded in the context of something bigger than you, and what happens, the early warning sign is you start focusing more on your products or services that you offer rather than the needs that you're satisfying, that's a huge litmus test I work on with organizations, is make sure you're focusing on needs first. And there are so many examples of organizations that have either succeeded or failure, or failed because they, you know, they succeeded because they stayed consistent with their needs, or they failed because they started focusing on product rather than needs. In a contemporary, I have, you know, in the book I talk about railroad, you know, the history of the railroad, and even typewriter industry, but more contemporary example, Apple Computer. You know, people think Apple is such a, or I should say, Apple, not Apple, Apple is, is, you know, they're innovating all these new products. Apple is never the first to market with a product, they're really good at taking other people's technology, or other people's products, and using technology to make it simpler, easier to use, from the Macintosh in the inception with Jobs and Wozniak to AirPod. And so what they do is they, their need that they've always focused on is to take products and figure out how to make them easier to use, that's their mind, that's that's the need they focus on. They're not a computer company, they're not an iPad company, they're not an iPod company. They're a company that uses technology to make things easier. And so again, it's focusing on the needs rather than focusing on your product or service. That's probably the big one that you really need to think about when you're leading an organization and looking for those warning signs. Additionally, if you're, if you find yourself rationalizing a lot, that can be a warning sign as well, that you know, well, this happened, but here's why it happened. And it's okay, and we'll keep moving forward, and you know, in the book I profile the Iridium project from Motorola, where the writing was on the wall, you know, they, they were putting all these satellites into space in order to create these, if you remember, you're probably too young to remember the bag phone, but the bag phone before the cell phone, and then the cell phone technology came out, and they wouldn't let go. They lost billions on that because they wouldn't let go. Yeah, again, so it's when you start rationalizing why bad things happen rather than accepting why bad things happen. That's a huge warning sign as well.

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Steve Divitkos 38:47

Another theme that I extracted from the book, I don't know if this is the right way to say it, but like this idea of success being a double-edged sword, because the book basically says, hey, success can breed overconfidence, it can breed blind spots, and that kind of got me thinking, like, as investors, as you might expect, we buy companies that have been historically successful across most dimensions, otherwise we likely wouldn't make the investment. But when you're still on the outside looking into a company, there's a lot that you don't know and kind of can't know, so if we're looking at what appears to be an otherwise very successful company across most dimensions, is there any way for us to tell whether there are some blind spots that are beginning to grow within this otherwise successful looking organization?

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Dr. Larry Weinzimmer 39:37

Sure, absolutely, and so often times when we make acquisitions or investments, we're looking at numbers, and as you've probably experienced as a CEO, it's not the numbers, it's the people. And it's results of their efforts that make the numbers, and so I am a big fan, and again. When I work with organizations now as a board member in making acquisitions, I am a huge advocate of doing a cultural audit, understanding what the intangibles are in the organization. It's easy to look at a balance sheet or P and L statement, crunch numbers, PE ratio, whatever you're going to use the Taguchi candlestick method. There's so many different financial models out there, you know. For me, free cash flow is my favorite, but, but when I'm, when I'm thinking about, you know, do we invest or not invest, it's really culturally, where's the organization at? And here's a stat for you: 30% of acquisitions ever pay back. 30% You probably already knew that one. And the woman, Rosa Beth Moss Cantor, she was a chaired professor at Harvard. She wrote a book, I can't remember the title now, but and it talked about when you're making an acquisition, culture is the single most important thing you need to be looking at, right, because, and you've probably been involved in acquisitions where the acquirer has very different value set than the inquiry. And so, yeah, they've been doing great on paper, they've been performing well for years and years, the acquisition happen, and the wheels fall off the bus, right? And oftentimes that's the soft side, it's the cultures, the misalignment of values. And so I think that's really important when you're looking at potential warning signs or potential issues and making an acquisition.

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Steve Divitkos 41:39

When you do these cultural audits like what specifically are you looking for? Are you looking for happy employees? Are you looking for engaged employees? Are you looking for big differences in values between the companies? Like, you do a culture index, you learn a ton about the company. What are the important two or three things that you look at in that cultural index?

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Dr. Larry Weinzimmer 42:00

Again, I should have these papers ready to reference. I actually wrote a published a paper on this. I don't look at engagement or happy employees, because when you make the acquisition, you know all bets are things can change. I really focus on values. There are a few. There are few I look at. I do. I look at mistake tolerance, which we talked about already, and so you know, what are the culturally, where are they in terms of their mistake tolerance? I look at their strategic orientation, I take a look at their market orientation, and I take a look at their, the way they view innovation in terms of, you know, is it it a strategy or is it embedded in the values of the organization?

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Steve Divitkos 42:46

What do you do if the target company has not codified their values? Because, particularly in a small business context, when I see values, more often than not, I see one of two situations: either A, they have values, but they're like hollow platitudes that are meaningless posters in the lunchroom, or B, they don't have values at all. So, if you kind of walk into a situation like that, how do you extract what the true values actually are?

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Dr. Larry Weinzimmer 43:16

Now, first of all, if I, if they don't have underlying values, I don't walk away, I run, even if they look good on paper, that's a risk I'm not willing to take, and there's just too many stories and anecdotes about we this company looked great on paper, you know, they were a great fit with our product line, and you're scratching your head two years later, wondering why it failed, and it just cost your company a billion dollars. And so if there aren't definable values, it's that's a, that's a deal breaker for me, in terms of trying to assess those underlying values. Cultural audit is really the best we have. I know companies that have tried to go in and do interviews. Actually, there's an example. John Chambers, former CEO at on the company, is drawing a blank on the company now, but I remember the CEO, but not the company. Anyway, he had a guy in his company called the Culture Cop, Cisco. It was Cisco, and so at Cisco they had a guy, and his title was Culture Cop, and he would go into organizations and spend time at the company trying to assess values rather than just doing an audit, you know, audit in terms of efficiencies, the best way to do it, but also if a company is trying to be acquired, they might answer questions in a way that makes them more attractive to buy.

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Steve Divitkos 44:53

Oh, totally, yeah.

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Dr. Larry Weinzimmer 44:54

And so, if you have the resource where you send somebody there to spend time at the organization. Information get a much, a much better idea realistically. Most companies don't have that resource.

**S****Steve Divitkos 45:10**

This episode is brought to you by Boulay. Now, for those of you who operate within the search fund ecosystem, you probably already know that Boulay is the standard when it comes to quality of earnings reports, tax, and audit services, but for those of you who are newer to the community, consider this. Over the past 20 years, Boulay has worked directly with hundreds of search funds, from capital raise to exit, currently assisting over 150 funds in the search phase and another 125 in the operating phase. They work with searchers across the entirety of the ETA journey, from issuing K1s to your investors during the search phase all the way through to helping prepare your books for an exit at the conclusion of the operating phase. They are the industry leader in performing financial due diligence and creating Q of E reports that your investors can rely on. They provide a full suite of tax services, both for your search fund and for the acquired company. They perform the annual audits required by most debt and equity investors, and they also perform outsourced accounting services, acting as a fractional bookkeeper and controller for those companies whose needs might not necessitate full-time in-house resources. In short, you can safely assume that these guys get it. They've grown up in the search fund ecosystem over the past 20 years, and they have the reputation to prove it. To learn more, go to [Boulaygroup.com](http://Boulaygroup.com) that's B O U L A Y group.com I've noticed, and surely you've noticed, as most have, I'd say over the past 10 or 15 years, particularly in the technology industry, probably started with Mark Zuckerberg saying, "Move fast and break things." There's been a growing tendency to almost like romanticize failure, and this has a lot of positives, you know. The founder, who has kind of struck out five times, on their sixth time they made, they kind of create a world-beating company, so it's certainly positives to it, but again, taken to an extreme, arguably not constructive, because surely not all failure is productive. So, is there a point at which an organization crosses the line from like learning-oriented into, hey, we're just tolerating bad execution or low standards?

**D****Dr. Larry Weinzimmer 47:19**

Yeah, absolutely, and I use a pendulum analogy for this, where anything good in excess can be detrimental to a leader, be that be detrimental to an organization. So, if you're embracing failure, and every time you have a failure, it's great, you're probably taking it a little bit too far, I think embracing it's important, but celebrating it, you know, when something bad happens that shouldn't have happened again. As I said before, there are different types of mistakes, and every mistake shouldn't be celebrated, every mistake shouldn't be learned from, and you know, if you know there's a major discontinuous shift in a market, you're doing everything right, and you get blindsided, you couldn't see it come in, it's never going to happen again. Do you want to spend a lot of time thinking about that? Probably not. And so, whether it's failure, whether it's empowering your people, any attribute in an organization, if it's not in that sweet spot in the Minnesota, you know, think about this pendulum swinging back and forth, and if it's not in that sweet spot, then it could be detrimental, and absolutely see what you mentioned with failure, if you are too focused on celebrating failures and break things. If you have the resources and deep pockets, do that, go ahead and break things. Most companies don't have that luxury.

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Steve Divitkos 48:48

Yeah. And you know, move fast and break things, which might have been one of the catalysts for this way of thinking. Notice how Facebook's mantra, or Meta's mantra is no longer move fast and break things, because that might have been appropriate at that particular stage of the company's life cycle, but now it is very much not the appropriate way of thinking about it.

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Dr. Larry Weinzimmer 49:12

Yeah, if you're in an embryonic high-growth organization, you are moving fast by default, right? Yeah, things are going to break, but you're at, you are absolutely correct on that, that depending on the stage of the organization, moving fast and breaking things would be appropriate, or sometimes inappropriate.

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Steve Divitkos 49:34

Yeah, so I've written years ago, I wrote a blog post about entrepreneurship, and how there's this paradox with entrepreneurs, while on one hand they're supposed to exhibit like otherworldly levels of commitment and devotion and fighting through challenge, etc. and on the other hand the best entrepreneurs are the ones that quickly realize that hey, what I'm doing isn't working, and I need to pivot, and it seems to be a bit of a paradox, right? Like, how do you know which of those two camps you're in? And when I read your book, I saw a parallel at a company level, like companies can say, "Hey, this is super hard, and it might not be working, but we need to persist, or companies can take a clear-eyed view and say, "Hey, this is not working. We need to change our strategy, so in the context that paradox, like, how should leaders make that distinction without either quitting too early or just like driving their heads into a wall repeatedly?

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Dr. Larry Weinzimmer 50:33

And there is no magic easy answer for that one or we would all be multi millionaires, but I think you can position yourself to know what those signs are, as to get it gets back to the warning signs. Having a really well-functioning board of directors should call you on this, right? You know, so often when we create boards of directors, we put friends on the board, people that will support us, as opposed to trying to get the this is Collins Good to Great book, try and get the right people on the bus. Try and get the smartest people you can with some really diverse points of view, people from different industries, it just it's really trying, and it's a academic, you know, try and get as much heterogeneity on your board, on your top management team, as you possibly can. Being homogeneous, everything's the same, heterogeneous, everything's different. So, try and get people from different industries, different, you know, that the research shows on this, that in terms of heterogeneity or diverse thinking, it's functional background that's the most important in giving you different insights. Accountant thinks very different than somebody in HR who thinks very differently than an engineer who thinks very differently than somebody in marketing, right. And so try and get that functional heterogeneity on your team, so people can call you from different perspectives, because if everybody's thinking in the same group thing happens, and you get blindsided, you don't see the warning signs.

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Steve Divitkos 52:08

Yeah, and also I would presume, as a leader, be very mindful of how you respond the first time or the second time that somebody does call you out, right? Because if you kind of step all over them, you've just killed the possibility of any dissent in the future, but if you kind of welcome it with curiosity and open arms, then implicitly you're kind of encouraging people to do something similar in the future.

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Dr. Larry Weinzimmer 52:28

Yeah, I believe that goes back to psychological safety. Create the environment where people can speak out, especially not so much from your board, but from your top management team, where you allow people the ability to speak out without any repercussion, and that's a really hard one to build. It's based on trust, and what's the expression? For every time you do do an act that decreases somebody, somebody's trust, you need to do 40 things in a row to build up. So, building trust is really difficult to do as a leader. It's difficult to maintain, because you always have to be on with trust.

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Steve Divitkos 53:08

At the beginning of our conversation. You kind of frame the book as what not to do as a leader, and I was reminded of Charlie Munger when he said, "Invert, always invert. He basically says, like, look at the opposite of something to learn more about that thing, and another mongerism came to me. He basically said, never pay attention to anything else if you can pay attention to the power of incentives, and that's kind of one of my final questions for you, is about incentives and how often organizational failures stem from not from bad people, not from bad strategy, but just like bad incentive systems. How common, or maybe uncommon, is that?

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Dr. Larry Weinzimmer 53:52

Yeah, the Mungerism, I love that the first of all, that do the opposite. I call that the George Costanza-ism. The opposite to everything worked out, going opposite exactly, but with incentives. He's, I mean, it's so correct, you know. There again, this is the Jack Welch quote that you know you can change people's behavior by changing their incentives. Yes, incentives are going to drive behavior, and if those incentives are off, if those incentives are strictly based on outcome measures without incorporating process measures will do whatever they have to do to make their incentive, but they'll do it the wrong way. There was a former CEO again at Caterpillar, the guy who followed Don Fights, and he had a cultural initiative called Accountability for results. And so everybody was their incentives were based entirely on result or outcome, and so you had departments or divisions that didn't have any, and they were so ROA, they were using ROA return on asset for their incentive, and you had groups that that. Got rid of assets, so that they can boost up their ROA numbers, just to get their numbers up. The short run got to get really great incentives, but long term it hurt the organization strategically. And so incentives need to focus not only on the outcome but also on the process, or how you get there.

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Steve Divitkos 55:16

Totally, yep. Beware of unintended consequences, that is a rake that I stepped on many times as a leader. Okay, one or two concluding questions for you again. I said I purposely like to interview authors who have had the benefit of years worth of hindsight and lessons post publishing their book. So, as you think about the reception that this book has gotten over the years, and what people have really extracted from it, of all the lessons, all the chapters, all the takeaways, which one do readers underestimate, which one do they not pay attention, pay enough attention to? What do you wish readers extracted from your book that they don't seem to be extracting from your book?

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Dr. Larry Weinzimmer 55:59

And I think it's at that mezzo level. How do you manage your people? How do you lead your people, and you know, I think that in the since I've written the book, so much has changed in terms of how to lead people. You know, we had the pandemic in 2020 people started working remote 20 years ago. I heard that experts say, oh, that remote working is never going to happen because we're social animals, we have to interact with others. Turns out they were wrong. People like the convenience of working remote, and when you think about leading your team when they're working remote is a challenge, and I don't have an answer for it, but I think that that's something I would pay a lot more attention to now if I was writing the book today. But you know, what can you do to we talked about the importance of values as a leader? What can you do to not only espouse values but ingrain or enact those values in your people if you're not all on site face to face every day,

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Steve Divitkos 57:05

Yeah, yeah. And the final concluding question that I like to ask everybody, although I appreciate that it puts them on the spot, I'm curious, what is the most meaningful lesson that you have learned in any domain of your life over the past 12 months?

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Dr. Larry Weinzimmer 57:23

Over the past 12 months, it's this is similar to the book I'm actually doing a lot of research right now on something I'm defining as fortitude, and when bad things happen, not only you know strategically what can you do about it, but personally, what can you do about it? And you know, I've had a lot of changes, and all you know, in hindsight, for the positive in the past 12 months, and when difficult things happen, what can you do to build purpose and passion, that's really the research I'm doing right now, is on this concept of fortitude. There's so much out there on burnout and CEO burnout, and as human beings, what can we do to build our own fortitude, which is different than resilience. Resilience is how do you bounce back after failure, and fortitude is how do you avoid that failure in the first place, which really ties back to the book, The Wisdom of Failure. How can you avoid making the mistake before it happens by learning from somebody else? And so, with the research I'm doing on Fortitude, I've published a few papers on it, and then there's there'll be a book coming out on that as well, but how do we build mechanisms personally in order to grind through those difficult times.

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Steve Divitkos 58:47

Interesting. So, you said that's that's the book that's in the works as we speak. Any more details you can share with us on that?

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Dr. Larry Weinzimmer 58:53

Yeah, so a colleague of mine and I, his name is Doctor Steve Hippler. We started in healthcare on this, where 50% of physicians burn out, and it's a Mungerism or a George Costanza-ism. Everybody's focusing on why physicians and nurses, healthcare workers burn out. Nobody's focused on why they, you know, if 50% burnout, why a 50% not burned out. And so we focused on those individuals, that's where we came up with this term of fortitude, and we've been able to show empirically that if you build fortitude, it can decrease burnout by 27%. It's trainable, that's, you know, we've put cohorts of physicians and nurses through this, and those that receive the training, significant decrease in burnout when bad things happen. And those that didn't receive the control group during the same period actually saw an increase in burnout, and so the fortitude training is something we're really excited about now, and it's an extension, really, of the book that I wrote a decade ago, right? That's kind of the direction I'm heading now, and very exciting stuff.

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Steve Divitkos 59:59

Very interesting. Well, count me as a future reader, whenever it's ready. Larry, it's a pleasure having you today. Thank you very much for joining us.

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Dr. Larry Weinzimmer 1:00:07

Steve. You know, I really appreciate the questions and the thoughts and the conversation we had. It's a great, great interview, and thank you so much for the opportunity.

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Steve Divitkos 1:00:18

Thanks, Larry.