John Danner is a Senior Fellow at UC Berkeley's Haas School of Business Institute for Business Innovation and also teaches executive education with an emphasis on entrepreneurship, start-up mindset, and innovation. Danner has over 30 years of professional experience advising and managing both large, complex organizations and emerging start-up ventures. Transcript of Danner on 'Leadership, Culture & Leveraging Failure for Success'.

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ExecEd: It feels to me like some of what you are saying is to be more transparent, to avoid the cover-up of failure, and I'm thinking of the well cited Netflix, and the QuickStart versus what's happened more recently with Volkswagen in covering it up.

John Danner: Well there is another example that we use with some of the audiences for our talks, is the comparison between how the then founder of Lululemon dealt with the problem they had with the yoga pants that were too sheer for their customers versus how the Reed Hastings dealt with the problem that Netflix had. If you want to see two different approaches to how a corporate apology should be handled, and what the impact can be of an apology well handled the way Netflix did its, just look at those two YouTube videos side-by-side.

If you are in the business of covering up your mistakes, of covering up your failures, you're kidding yourself. People know it, it will be out somehow or another. It may be out just in the form of local morale in you organization. Your people know what's not going right. If they're too afraid, too uncomfortable with sharing that, talking about it, and flagging it, or if they see the last time somebody did that, they did it and lost their job, lost their promotion, lost their opportunities for future advancement in the organization, they're not going to be as quick to flag those issues when they come up.

They're not going to be as quick to suggest a new idea for a new product, or a new improvement in a business process. You have to get open with this, and that starts at the top organization. Culture begins with the first hire you make. People will look up to see whether or not your boss, your leaders, the people in the C suite are comfortable with this other F word. If they are, chances are the organization is going to be a bit more comfortable. You'll build that culture of trust, which is as the folks at Great Place To Work have found in their millions of interviews, is the key

element to what makes for a great place to work.

ExecEd: It seems like we're circling back to the initial discussion about the typologies, the different types of entrepreneurial mindset almost, and how they might be embodied in a leader, is that what we're saying?

John Danner: Entrepreneurial personality types is just one type, one setting in which personality can matter. What we're really talking about here is something that cuts across the entire swath of business, whether you're in charge of manufacturing, or finance, or marketing, or sales, or strategy, or you're the CEO, you have to deal with these issues around the other F word. You have to deal with this question of how are you structuring your organization in order to extract the strategic value that failure can offer?

Whether you are applying those to an entrepreneurial agenda, or to a growth agenda, is a subset if you will, but we're talking about something that is far more universal, and cuts across every leadership position in an organization, whether it's a business organization, a nonprofit, or a government organization.

ExecEd: It really is about the leader, it's about the leadership, and how that leader imbues the culture?

John Danner: At the end of the day, culture is hardest to counterfeit, and hardest to copy. It needs to be authentic, it needs to reflect the values, the personalities, the agendas of the people who run that organization. If it's genuine, if it sticks, you know it. People who work in it know it, people who buy from that organization know it, and if you don't have that, you're compromising the one thing that can make your organization unique. Now we happen to think that how your company deals with what we see as one of the most pervasive challenges of any leader, which is how do you overcome your organizations, and even sometimes your own fear of failure, that's why the connection is so critical between failure and culture, failure and leadership.

Nobody's in business to fail, you're in the business to succeed. You're in the business to grow, you want to get innovative, you want people to want to work with you, you want customers to want to buy from you. That's the agenda, but you're sitting on top of a resource that you've created with best intentions, often with tens of millions, maybe even hundreds of millions of dollars. Are you going to use that?

Are you going to simply ignore it? It's got wisdom contained within it, it being the failure.

You've got to be like a miner thinking about how you extract the ore in the failure that you've just created, because it's telling you what you didn't know that you need to know to improve your decision-making going forward.