

was the starting center. Every one of the guys on the team came to me and said, “You’ve got to play. Can’t you break the rule just this one time?”

I’m a deeply religious man, so I went away and prayed about what I should do. I got a very clear feeling that I shouldn’t break my commitment—so I didn’t play in the championship game.

In many ways that was a small decision—involving one of several thousand Sundays in my life. In theory, surely I could have crossed over the line just that one time and then not done it again. But looking back on it, resisting the temptation whose logic was “In this extenuating circumstance, just this once, it’s OK” has proven to be one of the most important decisions of my life. Why? My life has been one unending stream of extenuating circumstances. Had I crossed the line that one time, I would have done it over and over in the years that followed.

The lesson I learned from this is that it’s easier to hold to your principles 100% of the time than it is to hold to them 98% of the time. If you give in to “just this once,” based on a marginal cost analysis, as some of my former classmates have done, you’ll regret where you end up. You’ve got to define for yourself what you stand for and draw the line in a safe place.

### **Remember the Importance of Humility**

I got this insight when I was asked to teach a class on humility at Harvard College. I asked all the students to describe the most humble person they knew. One characteristic of these humble people stood out: They had a high level of self-esteem. They knew who they were, and they felt good about who they were. We also decided that humility was defined not by self-deprecating behavior or attitudes but by the esteem with which you regard others. Good behavior flows naturally from that kind of humility. For example, you would never steal from someone, because you respect that person too much. You’d never lie to someone, either.

It’s crucial to take a sense of humility into the world. By the time you make it to a top graduate school, almost all your learning has

come from people who are smarter and more experienced than you: parents, teachers, bosses. But once you’ve finished at Harvard Business School or any other top academic institution, the vast majority of people you’ll interact with on a day-to-day basis may not be smarter than you. And if your attitude is that only smarter people have something to teach you, your learning opportunities will be very limited. But if you have a humble eagerness to learn something from everybody, your learning opportunities will be unlimited. Generally, you can be humble only if you feel really good about yourself—and you want to help those around you feel really good about themselves, too. When we see people acting in an abusive, arrogant, or demeaning manner toward others, their behavior almost always is a symptom of their lack of self-esteem. They need to put someone else down to feel good about themselves.

### **Choose the Right Yardstick**

This past year I was diagnosed with cancer and faced the possibility that my life would end sooner than I’d planned. Thankfully, it now looks as if I’ll be spared. But the experience has given me important insight into my life.

I have a pretty clear idea of how my ideas have generated enormous revenue for companies that have used my research; I know I’ve had a substantial impact. But as I’ve confronted this disease, it’s been interesting to see how unimportant that impact is to me now. I’ve concluded that the metric by which God will assess my life isn’t dollars but the individual people whose lives I’ve touched.

I think that’s the way it will work for us all. Don’t worry about the level of individual prominence you have achieved; worry about the individuals you have helped become better people. This is my final recommendation: Think about the metric by which your life will be judged, and make a resolution to live every day so that in the end, your life will be judged a success.

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*Don't reserve your best business thinking for your career.*

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# How Will You Measure Your Life?

by Clayton M. Christensen

**Editor's Note:** When the members of the class of 2010 entered business school, the economy was strong and their post-graduation ambitions could be limitless. Just a few weeks later, the economy went into a tailspin. They've spent the past two years recalibrating their worldview and their definition of success.

The students seem highly aware of how the world has changed (as the sampling of views in this article shows). In the spring, Harvard Business School's graduating class asked HBS professor Clay Christensen to address them—but not on how to apply his principles and thinking to their post-HBS careers. The students wanted to know how to apply them to their personal lives. He shared with them a set of guidelines that have helped him find meaning in his own life. Though Christensen's thinking comes from his deep religious faith, we believe that these are strategies anyone can use. And so we asked him to share them with the readers of HBR.

Before I published *The Innovator's Dilemma*, I got a call from Andrew Grove, then the chairman of Intel. He had read one of my early pa-

pers about disruptive technology, and he asked if I could talk to his direct reports and explain my research and what it implied for Intel. Excited, I flew to Silicon Valley and showed up at the appointed time, only to have Grove say, "Look, stuff has happened. We have only 10 minutes for you. Tell us what your model of disruption means for Intel." I said that I couldn't—that I needed a full 30 minutes to explain the model, because only with it as context would any comments about Intel make sense. Ten minutes into my explanation, Grove interrupted: "Look, I've got your model. Just tell us what it means for Intel."

I insisted that I needed 10 more minutes to describe how the process of disruption had worked its way through a very different industry, steel, so that he and his team could understand how disruption worked. I told the story of how Nucor and other steel minimills had begun by attacking the lowest end of the market—steel reinforcing bars, or rebar—and later moved up toward the high end, undercutting the traditional steel mills.

When I finished the minimill story, Grove said, “OK, I get it. What it means for Intel is...,” and then went on to articulate what would become the company’s strategy for going to the bottom of the market to launch the Celeron processor.

I’ve thought about that a million times since. If I had been suckered into telling Andy Grove what he should think about the micro-processor business, I’d have been killed. But instead of telling him what to think, I taught him how to think—and then he reached what I felt was the correct decision on his own.

That experience had a profound influence on me. When people ask what I think they should do, I rarely answer their question directly. Instead, I run the question aloud through one of my models. I’ll describe how the process in the model worked its way through an industry quite different from their own. And then, more often than not, they’ll say, “OK, I get it.” And they’ll answer their own question more insightfully than I could have.

My class at HBS is structured to help my students understand what good management theory is and how it is built. To that backbone I attach different models or theories that help students think about the various dimensions of a general manager’s job in stimulating innovation and growth. In each session we look at one company through the lenses of those theories—using them to explain how the company got into its situation and to examine what managerial actions will yield the needed results.

On the last day of class, I ask my students to turn those theoretical lenses on themselves, to find cogent answers to three questions: First, how can I be sure that I’ll be happy in my career? Second, how can I be sure that my relationships with my spouse and my family become an enduring source of happiness? Third, how can I be sure I’ll stay out of jail? Though the last question sounds lighthearted, it’s not. Two of the 32 people in my Rhodes scholar class spent time in jail. Jeff Skilling of Enron fame was a classmate of mine at HBS. These were good guys—but something in their lives sent them off in the wrong direction.

As the students discuss the answers to these questions, I open my own life to them as a case study of sorts, to illustrate how they can use the theories from our course to guide their life decisions.

One of the theories that gives great insight on the first question—how to be sure we find happiness in our careers—is from Frederick Herzberg, who asserts that the powerful motivator in our lives isn’t money; it’s the opportunity to learn, grow in responsibilities, contribute to others, and be recognized for achievements. I tell the students about a vision of sorts I had while I was running the company I founded before becoming an academic. In my mind’s eye I saw one of my managers leave for work one morning with a relatively strong level of self-esteem. Then I pictured her driving home to her family 10 hours later, feeling unappreciated, frustrated, underutilized, and demeaned. I imagined how profoundly her lowered self-esteem affected the way she interacted with her children. The vision in my mind then fast-forwarded to another day, when she drove home with greater self-esteem—feeling that she had learned a lot, been recognized for achieving valuable things, and played a significant role in the success of some important initiatives. I then imagined how positively that affected her as a spouse and a parent. My conclusion: Management is the most noble of professions if it’s practiced well. No other occupation offers as many ways to help others learn and grow, take responsibility and be recognized for achievement, and contribute to the success of a team. More and more MBA students come to school thinking that a career in business means buying, selling, and investing in companies. That’s unfortunate. Doing deals doesn’t yield the deep rewards that come from building up people.

I want students to leave my classroom knowing that.

### Create a Strategy for Your Life

A theory that is helpful in answering the second question—How can I ensure that my relationship with my family proves to be an enduring source of happiness?—concerns how strategy is defined and implemented. Its primary insight is that a company’s strategy is determined by the types of initiatives that management invests in. If a company’s resource allocation process is not managed masterfully, what emerges from it can be very different from what management intended. Because companies’ decision-making systems are designed to steer investments to initiatives that offer the most tangible and immediate returns, companies shortchange investments in

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initiatives that are crucial to their long-term strategies.

Over the years I've watched the fates of my HBS classmates from 1979 unfold; I've seen more and more of them come to reunions unhappy, divorced, and alienated from their children. I can guarantee you that not a single one of them graduated with the deliberate strategy of getting divorced and raising children who would become estranged from them. And yet a shocking number of them implemented that strategy. The reason? They didn't keep the purpose of their lives front

and center as they decided how to spend their time, talents, and energy.

It's quite startling that a significant fraction of the 900 students that HBS draws each year from the world's best have given little thought to the purpose of their lives. I tell the students that HBS might be one of their last chances to reflect deeply on that question. If they think that they'll have more time and energy to reflect later, they're nuts, because life only gets more demanding: You take on a mortgage; you're working 70 hours a week; you have a spouse and children.

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## The Class of 2010

"I came to business school knowing exactly what I wanted to do—and I'm leaving choosing the exact opposite. I've worked in the private sector all my life, because everyone always told me that's where smart people are. But I've decided to try government and see if I can find more meaning there.

"I used to think that industry was very safe. The recession has shown us that nothing is safe."

**Ruhana Hafiz**, Harvard Business School, Class of 2010

**Her Plans:** To join the FBI as a special adviser (a management track position)

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"You could see a shift happening at HBS. Money used to be number one in the job search. When you make a ton of money, you want more of it. Ironic thing. You start to forget what the drivers of happiness are and what things are really important. A lot of people on campus see money differently now. They think, 'What's the minimum I need to have, and what else drives my life?' instead of 'What's the place where I can get the maximum of both?'"

**Patrick Chun**, Harvard Business School, Class of 2010

**His Plans:** To join Bain Capital

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"The financial crisis helped me realize that you have to do what you really love in life. My current vision of success is based on the impact I can have, the experiences I can gain, and the happiness I can find personally, much more so than the pursuit of money or prestige. My main motivations are (1) to be with my family and people I care about; (2) to do something fun, exciting, and impactful; and (3) to pursue a long-term career in entrepreneurship, where I can build companies that change the way the world works."

**Matt Salzberg**, Harvard Business School, Class of 2010

**His Plans:** To work for Bessemer Venture Partners

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"Because I'm returning to McKinsey, it probably seems like not all that much has changed for me. But while I was at HBS, I decided to do the dual degree at the Kennedy School. With the elections in 2008 and the economy looking shaky, it seemed more compelling for me to get a better understanding of the public and nonprofit sectors. In a way, that drove my return to McKinsey, where I'll have the ability to explore private, public, and nonprofit sectors.

"The recession has made us step back and take stock of how lucky we are. The crisis to us is 'Are we going to have a job by April?' Crisis to a lot of people is 'Are we going to stay in our home?'"

**John Coleman**, Harvard Business School, Class of 2010

**His Plans:** To return to McKinsey & Company

*Doing deals doesn't yield the deep rewards that come from building up people.*

For me, having a clear purpose in my life has been essential. But it was something I had to think long and hard about before I understood it. When I was a Rhodes scholar, I was in a very demanding academic program, trying to cram an extra year's worth of work into my time at Oxford. I decided to spend an hour every night reading, thinking, and praying about why God put me on this earth. That was a very challenging commitment to keep, because every hour I spent doing that, I wasn't studying applied econometrics. I was conflicted about whether I could really afford to take that time away from my studies, but I stuck with it—and ultimately figured out the purpose of my life.

Had I instead spent that hour each day learning the latest techniques for mastering the problems of autocorrelation in regression analysis, I would have badly misspent my life. I apply the tools of econometrics a few times a year, but I apply my knowledge of the purpose of my life every day. It's the single most useful thing I've ever learned. I promise my students that if they take the time to figure out their life purpose, they'll look back on it as the most important thing they discovered at HBS. If they don't figure it out, they will just sail off without a rudder and get buffeted in the very rough seas of life. Clarity about their purpose will trump knowledge of activity-based costing, balanced scorecards, core competence, disruptive innovation, the four Ps, and the five forces.

My purpose grew out of my religious faith, but faith isn't the only thing that gives people direction. For example, one of my former students decided that his purpose was to bring honesty and economic prosperity to his country and to raise children who were as capably committed to this cause, and to each other, as he was. His purpose is focused on family and others—as mine is.

The choice and successful pursuit of a profession is but one tool for achieving your purpose. But without a purpose, life can become hollow.

### **Allocate Your Resources**

Your decisions about allocating your personal time, energy, and talent ultimately shape your life's strategy.

I have a bunch of "businesses" that compete for these resources: I'm trying to have a rewarding relationship with my wife, raise great kids, contribute to my community, succeed in

my career, contribute to my church, and so on. And I have exactly the same problem that a corporation does. I have a limited amount of time and energy and talent. How much do I devote to each of these pursuits?

Allocation choices can make your life turn out to be very different from what you intended. Sometimes that's good: Opportunities that you never planned for emerge. But if you misinvest your resources, the outcome can be bad. As I think about my former classmates who inadvertently invested for lives of hollow unhappiness, I can't help believing that their troubles relate right back to a short-term perspective.

When people who have a high need for achievement—and that includes all Harvard Business School graduates—have an extra half hour of time or an extra ounce of energy, they'll unconsciously allocate it to activities that yield the most tangible accomplishments. And our careers provide the most concrete evidence that we're moving forward. You ship a product, finish a design, complete a presentation, close a sale, teach a class, publish a paper, get paid, get promoted. In contrast, investing time and energy in your relationship with your spouse and children typically doesn't offer that same immediate sense of achievement. Kids misbehave every day. It's really not until 20 years down the road that you can put your hands on your hips and say, "I raised a good son or a good daughter." You can neglect your relationship with your spouse, and on a day-to-day basis, it doesn't seem as if things are deteriorating. People who are driven to excel have this unconscious propensity to underinvest in their families and overinvest in their careers—even though intimate and loving relationships with their families are the most powerful and enduring source of happiness.

If you study the root causes of business disasters, over and over you'll find this predisposition toward endeavors that offer immediate gratification. If you look at personal lives through that lens, you'll see the same stunning and sobering pattern: people allocating fewer and fewer resources to the things they would have once said mattered most.

### **Create a Culture**

There's an important model in our class called the Tools of Cooperation, which basically says that being a visionary manager isn't all it's

cracked up to be. It's one thing to see into the foggy future with acuity and chart the course corrections that the company must make. But it's quite another to persuade employees who might not see the changes ahead to line up and work cooperatively to take the company in that new direction. Knowing what tools to wield to elicit the needed cooperation is a critical managerial skill.

The theory arrays these tools along two dimensions—the extent to which members of the organization agree on what they want from their participation in the enterprise, and the extent to which they agree on what actions will produce the desired results. When there is little agreement on both axes, you have to use “power tools”—coercion, threats, punishment, and so on—to secure cooperation. Many companies start in this quadrant, which is why the founding executive team must play such an assertive role in defining what must be done and how. If employees' ways of working together to address those tasks succeed over and over, consensus begins to form. MIT's Edgar Schein has described this process as the mechanism by which a culture is built. Ultimately, people don't even think about whether their way of doing things yields success. They embrace priorities and follow procedures by instinct and assumption rather than by explicit decision—which means that they've created a culture. Culture, in compelling but unspoken ways, dictates the proven, acceptable methods by which members of the group address recurrent problems. And culture defines the priority given to different types of problems. It can be a powerful management tool.

In using this model to address the question, How can I be sure that my family becomes an enduring source of happiness?, my students quickly see that the simplest tools that parents can wield to elicit cooperation from children are power tools. But there comes a point during the teen years when power tools no longer work. At that point parents start wishing that they had begun working with their children at a very young age to build a culture at home in which children instinctively behave respectfully toward one another, obey their parents, and choose the right thing to do. Families have cultures, just as companies do. Those cultures can be built consciously or evolve inadvertently.

If you want your kids to have strong self-esteem and confidence that they can solve

hard problems, those qualities won't magically materialize in high school. You have to design them into your family's culture—and you have to think about this very early on. Like employees, children build self-esteem by doing things that are hard and learning what works.

### **Avoid the “Marginal Costs” Mistake**

We're taught in finance and economics that in evaluating alternative investments, we should ignore sunk and fixed costs, and instead base decisions on the marginal costs and marginal revenues that each alternative entails. We learn in our course that this doctrine biases companies to leverage what they have put in place to succeed in the past, instead of guiding them to create the capabilities they'll need in the future. If we knew the future would be exactly the same as the past, that approach would be fine. But if the future's different—and it almost always is—then it's the wrong thing to do.

This theory addresses the third question I discuss with my students—how to live a life of integrity (stay out of jail). Unconsciously, we often employ the marginal cost doctrine in our personal lives when we choose between right and wrong. A voice in our head says, “Look, I know that as a general rule, most people shouldn't do this. But in this particular extenuating circumstance, just this once, it's OK.” The marginal cost of doing something wrong “just this once” always seems alluringly low. It suckers you in, and you don't ever look at where that path ultimately is headed and at the full costs that the choice entails. Justification for infidelity and dishonesty in all their manifestations lies in the marginal cost economics of “just this once.”

I'd like to share a story about how I came to understand the potential damage of “just this once” in my own life. I played on the Oxford University varsity basketball team. We worked our tails off and finished the season undefeated. The guys on the team were the best friends I've ever had in my life. We got to the British equivalent of the NCAA tournament—and made it to the final four. It turned out the championship game was scheduled to be played on a Sunday. I had made a personal commitment to God at age 16 that I would never play ball on Sunday. So I went to the coach and explained my problem. He was incredulous. My teammates were, too, because I

was the starting center. Every one of the guys on the team came to me and said, “You’ve got to play. Can’t you break the rule just this one time?”

I’m a deeply religious man, so I went away and prayed about what I should do. I got a very clear feeling that I shouldn’t break my commitment—so I didn’t play in the championship game.

In many ways that was a small decision—involving one of several thousand Sundays in my life. In theory, surely I could have crossed over the line just that one time and then not done it again. But looking back on it, resisting the temptation whose logic was “In this extenuating circumstance, just this once, it’s OK” has proven to be one of the most important decisions of my life. Why? My life has been one unending stream of extenuating circumstances. Had I crossed the line that one time, I would have done it over and over in the years that followed.

The lesson I learned from this is that it’s easier to hold to your principles 100% of the time than it is to hold to them 98% of the time. If you give in to “just this once,” based on a marginal cost analysis, as some of my former classmates have done, you’ll regret where you end up. You’ve got to define for yourself what you stand for and draw the line in a safe place.

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## The Class of 2010

"I came to business school knowing exactly what I wanted to do—and I'm leaving choosing the exact opposite. I've worked in the private sector all my life, because everyone always told me that's where smart people are. But I've decided to try government and see if I can find more meaning there.

"I used to think that industry was very safe. The recession has shown us that nothing is safe."

**Ruhana Hafiz**, Harvard Business School, Class of 2010

**Her Plans:** To join the FBI as a special adviser (a management track position)

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"You could see a shift happening at HBS. Money used to be number one in the job search. When you make a ton of money, you want more of it. Ironic thing. You start to forget what the drivers of happiness are and what things are really important. A lot of people on campus see money differently now. They think, 'What's the minimum I need to have, and what else drives my life?' instead of 'What's the place where I can get the maximum of both?'"

**Patrick Chun**, Harvard Business School, Class of 2010

**His Plans:** To join Bain Capital

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"The financial crisis helped me realize that you have to do what you really love in life. My current vision of success is based on the impact I can have, the experiences I can gain, and the happiness I can find personally, much more so than the pursuit of money or prestige. My main motivations are (1) to be with my family and people I care about; (2) to do something fun, exciting, and impactful; and (3) to pursue a long-term career in entrepreneurship, where I can build companies that change the way the world works."

**Matt Salzberg**, Harvard Business School, Class of 2010

**His Plans:** To work for Bessemer Venture Partners

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"Because I'm returning to McKinsey, it probably seems like not all that much has changed for me. But while I was at HBS, I decided to do the dual degree at the Kennedy School. With the elections in 2008 and the economy looking shaky, it seemed more compelling for me to get a better understanding of the public and nonprofit sectors. In a way, that drove my return to McKinsey, where I'll have the ability to explore private, public, and nonprofit sectors.

"The recession has made us step back and take stock of how lucky we are. The crisis to us is 'Are we going to have a job by April?' Crisis to a lot of people is 'Are we going to stay in our home?'"

**John Coleman**, Harvard Business School, Class of 2010

**His Plans:** To return to McKinsey & Company

*Doing deals doesn't yield the deep rewards that come from building up people.*

For me, having a clear purpose in my life has been essential. But it was something I had to think long and hard about before I understood it. When I was a Rhodes scholar, I was in a very demanding academic program, trying to cram an extra year's worth of work into my time at Oxford. I decided to spend an hour every night reading, thinking, and praying about why God put me on this earth. That was a very challenging commitment to keep, because every hour I spent doing that, I wasn't studying applied econometrics. I was conflicted about whether I could really afford to take that time away from my studies, but I stuck with it—and ultimately figured out the purpose of my life.

Had I instead spent that hour each day learning the latest techniques for mastering the problems of autocorrelation in regression analysis, I would have badly misspent my life. I apply the tools of econometrics a few times a year, but I apply my knowledge of the purpose of my life every day. It's the single most useful thing I've ever learned. I promise my students that if they take the time to figure out their life purpose, they'll look back on it as the most important thing they discovered at HBS. If they don't figure it out, they will just sail off without a rudder and get buffeted in the very rough seas of life. Clarity about their purpose will trump knowledge of activity-based costing, balanced scorecards, core competence, disruptive innovation, the four Ps, and the five forces.

My purpose grew out of my religious faith, but faith isn't the only thing that gives people direction. For example, one of my former students decided that his purpose was to bring honesty and economic prosperity to his country and to raise children who were as capably committed to this cause, and to each other, as he was. His purpose is focused on family and others—as mine is.

The choice and successful pursuit of a profession is but one tool for achieving your purpose. But without a purpose, life can become hollow.

### **Allocate Your Resources**

Your decisions about allocating your personal time, energy, and talent ultimately shape your life's strategy.

I have a bunch of "businesses" that compete for these resources: I'm trying to have a rewarding relationship with my wife, raise great kids, contribute to my community, succeed in

my career, contribute to my church, and so on. And I have exactly the same problem that a corporation does. I have a limited amount of time and energy and talent. How much do I devote to each of these pursuits?

Allocation choices can make your life turn out to be very different from what you intended. Sometimes that's good: Opportunities that you never planned for emerge. But if you misinvest your resources, the outcome can be bad. As I think about my former classmates who inadvertently invested for lives of hollow unhappiness, I can't help believing that their troubles relate right back to a short-term perspective.

When people who have a high need for achievement—and that includes all Harvard Business School graduates—have an extra half hour of time or an extra ounce of energy, they'll unconsciously allocate it to activities that yield the most tangible accomplishments. And our careers provide the most concrete evidence that we're moving forward. You ship a product, finish a design, complete a presentation, close a sale, teach a class, publish a paper, get paid, get promoted. In contrast, investing time and energy in your relationship with your spouse and children typically doesn't offer that same immediate sense of achievement. Kids misbehave every day. It's really not until 20 years down the road that you can put your hands on your hips and say, "I raised a good son or a good daughter." You can neglect your relationship with your spouse, and on a day-to-day basis, it doesn't seem as if things are deteriorating. People who are driven to excel have this unconscious propensity to underinvest in their families and overinvest in their careers—even though intimate and loving relationships with their families are the most powerful and enduring source of happiness.

If you study the root causes of business disasters, over and over you'll find this predisposition toward endeavors that offer immediate gratification. If you look at personal lives through that lens, you'll see the same stunning and sobering pattern: people allocating fewer and fewer resources to the things they would have once said mattered most.

### **Create a Culture**

There's an important model in our class called the Tools of Cooperation, which basically says that being a visionary manager isn't all it's

cracked up to be. It's one thing to see into the foggy future with acuity and chart the course corrections that the company must make. But it's quite another to persuade employees who might not see the changes ahead to line up and work cooperatively to take the company in that new direction. Knowing what tools to wield to elicit the needed cooperation is a critical managerial skill.

The theory arrays these tools along two dimensions—the extent to which members of the organization agree on what they want from their participation in the enterprise, and the extent to which they agree on what actions will produce the desired results. When there is little agreement on both axes, you have to use “power tools”—coercion, threats, punishment, and so on—to secure cooperation. Many companies start in this quadrant, which is why the founding executive team must play such an assertive role in defining what must be done and how. If employees' ways of working together to address those tasks succeed over and over, consensus begins to form. MIT's Edgar Schein has described this process as the mechanism by which a culture is built. Ultimately, people don't even think about whether their way of doing things yields success. They embrace priorities and follow procedures by instinct and assumption rather than by explicit decision—which means that they've created a culture. Culture, in compelling but unspoken ways, dictates the proven, acceptable methods by which members of the group address recurrent problems. And culture defines the priority given to different types of problems. It can be a powerful management tool.

In using this model to address the question, How can I be sure that my family becomes an enduring source of happiness?, my students quickly see that the simplest tools that parents can wield to elicit cooperation from children are power tools. But there comes a point during the teen years when power tools no longer work. At that point parents start wishing that they had begun working with their children at a very young age to build a culture at home in which children instinctively behave respectfully toward one another, obey their parents, and choose the right thing to do. Families have cultures, just as companies do. Those cultures can be built consciously or evolve inadvertently.

If you want your kids to have strong self-esteem and confidence that they can solve

hard problems, those qualities won't magically materialize in high school. You have to design them into your family's culture—and you have to think about this very early on. Like employees, children build self-esteem by doing things that are hard and learning what works.

### **Avoid the “Marginal Costs” Mistake**

We're taught in finance and economics that in evaluating alternative investments, we should ignore sunk and fixed costs, and instead base decisions on the marginal costs and marginal revenues that each alternative entails. We learn in our course that this doctrine biases companies to leverage what they have put in place to succeed in the past, instead of guiding them to create the capabilities they'll need in the future. If we knew the future would be exactly the same as the past, that approach would be fine. But if the future's different—and it almost always is—then it's the wrong thing to do.

This theory addresses the third question I discuss with my students—how to live a life of integrity (stay out of jail). Unconsciously, we often employ the marginal cost doctrine in our personal lives when we choose between right and wrong. A voice in our head says, “Look, I know that as a general rule, most people shouldn't do this. But in this particular extenuating circumstance, just this once, it's OK.” The marginal cost of doing something wrong “just this once” always seems alluringly low. It suckers you in, and you don't ever look at where that path ultimately is headed and at the full costs that the choice entails. Justification for infidelity and dishonesty in all their manifestations lies in the marginal cost economics of “just this once.”

I'd like to share a story about how I came to understand the potential damage of “just this once” in my own life. I played on the Oxford University varsity basketball team. We worked our tails off and finished the season undefeated. The guys on the team were the best friends I've ever had in my life. We got to the British equivalent of the NCAA tournament—and made it to the final four. It turned out the championship game was scheduled to be played on a Sunday. I had made a personal commitment to God at age 16 that I would never play ball on Sunday. So I went to the coach and explained my problem. He was incredulous. My teammates were, too, because I



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*Don't reserve your best  
business thinking for your  
career.*

# How Will You Measure Your Life?

by Clayton M. Christensen