

HOW WILL
YOU MEASURE
YOUR LIFE?



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ON THE LAST day of the course that I teach at Harvard Business School, I typically start by telling my students what I observed among my own business school classmates after we graduated. Just like every other school, our reunions every five years provided a series of fascinating snapshots. The school is superb at luring back its alumni for these events, which are key fund-raisers; the red carpet gets rolled out with an array of high-profile speakers and events. My own fifth-year reunion was no exception and we had a big turnout. Looking around, everyone seemed so polished and prosperous—we couldn't help but feel that we really were part of something special.

We clearly had much to celebrate. My classmates seemed to be doing extremely well; they had great jobs, some were working in exotic locations, and most had managed to marry

spouses much better-looking than they were. Their lives seemed destined to be fantastic on every level.

But by our tenth reunion, things that we had never expected became increasingly common. A number of my classmates whom I had been looking forward to seeing didn't come back, and I had no idea why. Gradually, by calling them or asking other friends, I put the pieces together. Among my classmates were executives at renowned consulting and finance firms like McKinsey & Co. and Goldman Sachs; others were on their way to top spots in Fortune 500 companies; some were already successful entrepreneurs, and a few were earning enormous, life-changing amounts of money.

Despite such professional accomplishments, however, many of them were clearly unhappy.

Behind the facade of professional success, there were many who did not enjoy what they were doing for a living. There were, also, numerous stories of divorces or unhappy marriages. I remember one classmate who hadn't talked to his children in years, who was now living on the opposite coast from them. Another was on her third marriage since we'd graduated.

My classmates were not only some of the brightest people I've known, but some of the most decent people, too. At graduation they had plans and visions for what they would accomplish, not just in their careers, but in their personal lives as well. Yet something had gone wrong for some of them along the way: their personal relationships had begun to deteriorate, even as their professional prospects blossomed. I

sensed that they felt embarrassed to explain to their friends the contrast in the trajectories of their personal and professional lives.

At the time, I assumed it was a blip; a kind of midlife crisis. But at our twenty-five- and thirty-year reunions, the problems were worse. One of our classmates—Jeffrey Skilling—had landed in jail for his role in the Enron scandal.

The Jeffrey Skilling I knew of from our years at HBS was a good man. He was smart, he worked hard, he loved his family. He had been one of the youngest partners in McKinsey & Co.'s history and later went on to earn more than \$100 million in a single year as Enron's CEO. But simultaneously, his private life was not as successful: his first marriage ended in divorce. I certainly didn't recognize the finance shark depicted in the media as he became increasingly prominent. And yet when his entire career unraveled with his conviction on multiple federal felony charges relating to Enron's financial collapse, it not only shocked me that he had gone wrong, but how spectacularly he had done so. Something had clearly sent him off in the wrong direction.

Personal dissatisfaction, family failures, professional struggles, even criminal behavior—these problems weren't limited to my classmates at HBS. I saw the same thing happen to my classmates in the years after we completed our studies as Rhodes Scholars at Oxford University. To be given that opportunity, my classmates had to have demonstrated extraordinary academic excellence; superior performance in extracurricular activities such as sports, politics, or writing; and significant contributions to their communities. These

were well-rounded, accomplished people who clearly had much to offer the world.

But as the years went by, some of my thirty-two Rhodes classmates also experienced similar disappointments. One played a prominent role in a major insider trading scandal, as recounted in the book *Den of Thieves*. Another ended up in jail because of a sexual relationship with a teenager who had worked on his political campaign. He was married with three children at the time. One who I thought was destined for greatness in his professional and family spheres has struggled in both—including more than one divorce.

I know for sure that none of these people graduated with a deliberate strategy to get divorced or lose touch with their children—much less to end up in jail. Yet this is the exact strategy that too many ended up implementing.

I don't want to mislead you. Alongside these disappointments, there are many of my classmates who have led exemplary personal lives; they have truly been an inspiration to me. But our lives are not over, and the lives of our children are just now unfolding. Understanding what causes the problems that trapped some of my classmates is important not just for those who have come off the path that they had planned to follow but for those whose lives are still on the right path—as well as those whose journeys are just beginning. We all are vulnerable to the forces and decisions that have derailed too many.

I am among those who have been fortunate so far—in many ways due to my wonderful wife, Christine, who has helped us see into the future with remarkable prescience. It

would be folly for me to write this book, however, to proclaim that everyone who replicates the decisions we have made will be happy and successful, too. Instead, in writing this book, I have followed the approach that has characterized my management research.

I have engaged my students in the quest as well. In my MBA course, *Building and Sustaining a Successful Enterprise*, we study theories regarding the various dimensions of the job of general managers. These theories are statements of what *causes* things to happen—and why. When the students understand these theories, we put them “on”—like a set of lenses—to examine a case about a company. We discuss what each of the theories can tell us about why and how the problems and opportunities emerged in the company. We then use the theories to predict what problems and opportunities are likely to occur in the future for that company, and we use the theories to predict what actions the managers will need to take to address them.

By doing this, the students learn that a robust theory is able to explain what has and what will occur across the hierarchy of business: in industries; in the corporations within those industries; in the business units within those corporations; and in the teams that are within the business units.

In the past several years, on the last day of my class after I've summarized what so frequently happens in the lives of our graduates, we have taken the discussion a step further, plumbing to the most fundamental element of organizations: individuals. For this discussion, rather than use businesses as the case studies, we use ourselves.

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good career
and good life -

I participate in these discussions with more history than my students do, but I follow the same rules. We are there to explore not what we *hope* will happen to us but rather what the theories *predict* will happen to us, as a result of different decisions and actions. Because I've been present in these discussions over many years, I've learned more about these issues than any one group of my students ever has. To even the score with them, however, I have shared stories about how these theories have played out in my life.

To help structure this discussion, I write the theories we have studied along the top of the chalkboard. Then I write three simple questions beside those theories:

How can I be sure that

- *I will be successful and happy in my career?*
- *My relationships with my spouse, my children, and my extended family and close friends become an enduring source of happiness?*
- *I live a life of integrity—and stay out of jail?*

These questions might sound simple, but they are questions that so many of my classmates never asked, or had asked but lost track of what they learned.

Year after year I have been stunned at how the theories of the course illuminate issues in our personal lives as they do in the companies we've studied. In this book, I will try to summarize some of the best of the insights my students and I have discussed on that last day in class.

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IN THE SPRING of 2010, I was asked to speak not just to the students in my own class but to the entire graduating student body. But that's not the only way things were a little different that day. Standing at the podium with little hair as the result of chemotherapy, I explained that I had been diagnosed with follicular lymphoma, a cancer similar to that which had killed my father. I expressed my gratitude that I could use this time with them to summarize what my students and I had learned from focusing these theories on ourselves. I spoke about the things in our lives that are most important—not just when you are confronting a life-threatening illness, as I was, but every day, for every one of us. Sharing my thoughts that day with the students about to make their own way in the world was a remarkable experience.

James Allworth, who was in my class that semester and in the audience that day, and Karen Dillon, who heard about my remarks in her position as editor of the *Harvard Business Review*, were both extremely moved by the topic. I later asked them to help me convey to a broader audience the feeling people had that day in Burden Hall on the Harvard Business School campus.

We are from three different generations and have completely different beliefs informing our lives. James is a recent business school graduate, who assures me that he is an atheist. I'm a father and grandfather with a deeply held faith, far into my third professional career. Karen, the mother of two daughters, is two decades into a career as an editor. She says her beliefs and career fall someplace between us.

Happy life.

But the three of us are united in the goal of helping you understand the theories we share in this book because we believe they can sharpen the acuity with which you can examine and improve your life. We've written in the first person, my voice, because it's how I talk to my students—and my own children—about this thinking. But James and Karen have truly been coauthors in deed.

I don't promise this book will offer you any easy answers: working through these questions requires hard work. It has taken me decades. But it has also been one of the most worthwhile endeavors of my life. I hope the theories in this book can help you as you continue on your journey, so that in the end, you can definitively answer for yourself the question "How will you measure your life?"

Just Because You Have Feathers . . .

There are probably dozens of well-intended people who have advice for how you should live your life, make your career choices, or make yourself happy. Similarly, walk into the self-help section of any bookstore and you'll be overwhelmed with scores of choices about how you can improve your life. You know, intuitively, that all these books can't be right. But how can you tell them apart? How do you know what is good advice—and what is bad?

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The Difference Between What to Think and How to Think

There are no easy answers to life's challenges. The quest to find happiness and meaning in life is not new. Humans have

been pondering the reason for our existence for thousands of years.

What is new, however, is how some modern thinkers address the problem. A bevy of so-called experts simply offer the answers. It's not a surprise that these answers are very appealing to some. They take hard problems—ones that people can go through an entire life without ever resolving—and offer a quick fix.

That is not what I intend with this book. There are no quick fixes for the fundamental problems of life. But I can offer you tools that I'll call *theories* in this book, which will help you make good choices, appropriate to the circumstances of your life.

I learned about the power of this approach in 1997, before I published my first book, *The Innovator's Dilemma*. I got a call from Andy Grove, then the chairman of Intel. He had heard of one of my early academic papers about disruptive innovation, and asked me to come to Santa Clara to explain my research and tell him and his top team what it implied for Intel. A young professor, I excitedly flew to Silicon Valley and showed up at the appointed time, only to have Andy say, "Look, stuff has happened. We have only ten minutes for you. Tell us what your research means for Intel, so we can get on with things."

I responded, "Andy, I can't, because I know very little about Intel. The only thing I can do is to explain the theory first; then we can look at the company through the lens that the theory offers." I then showed him a diagram of my theory of disruption. I explained that disruption happens when

a competitor enters a market with a low-priced product or service that most established industry players view as inferior. But the new competitor uses technology and its business model to continually improve its offering until it is good enough to satisfy what customers need. Ten minutes into my explanation, Andy interrupted impatiently: "Look, I've got your model. Just tell us what it means for Intel."

I said, "Andy, I still can't. I need to describe how this process worked its way through a very different industry, so you can visualize how it works." I told the story of the steel-mill industry, in which Nucor and other steel mini-mills disrupted the integrated steel-mill giants. The mini-mills began by attacking at the lowest end of the market—steel reinforcing bar, or rebar—and then step by step moved up toward the high end, to make sheet steel—eventually driving all but one of the traditional steel mills into bankruptcy.

When I finished the mini-mill story, Andy said, "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 lower-priced Celeron processor.

I've thought about that exchange a million times since. If I had tried to tell Andy Grove what he should think about the microprocessor business, he would have eviscerated my argument. He's forgotten more than I will ever know about his business.

But instead of telling him *what* to think, I taught him *how* to think. He then reached a bold decision about what to do, on his own.

I Don't Have an Opinion, the *Theory* Has an Opinion

That meeting with Andy changed the way I answer questions. When people ask me something, I now rarely answer directly. Instead, I run the question through a theory in my own mind, so I know what the theory says is likely to be the result of one course of action, compared to another. I'll then explain how it applies to their question. To be sure they understand it, I'll describe to them how the process in the model worked its way through an industry or situation different from their own, to help them visualize how it works. People, typically, then say, "Okay, I get it." They'll then answer their question with more insight than I could possibly have.

A good theory doesn't change its mind: it doesn't apply only to some companies or people, and not to others. It is a general statement of what causes what, and why. To illustrate, about a year after meeting with Andy Grove, I received a call from William Cohen, then-secretary of defense in the Clinton administration. He told me he'd read *The Innovator's Dilemma*. "Could you come to Washington and talk to me and my staff about your research?" he asked. To me, this was a once-in-a-lifetime opportunity.

When Secretary Cohen had said "my staff," somehow I had imagined second lieutenants and college interns. But when I walked into the secretary's conference room, the Joint Chiefs of Staff were in the front row, followed by the secretaries of the Army, Navy, and Air Force, and then each of the secretaries' under-, deputy, and assistant secretaries. I was

stunned. He said that this was the first time he had convened all of his direct reports in one room.

Secretary Cohen simply asked me to present my research. So using the exact same PowerPoint slides I had used with Andy Grove, I started explaining the theory of disruption. As soon as I had explained how the mini-mills had undermined the traditional steel industry by starting with rebar at the bottom, General Hugh Shelton, then the chairman of the Joint Chiefs of Staff, stopped me. "You have no idea why we are interested in this, do you?" he queried. Then he gestured to the mini-mill chart. "You see the sheet steel products at the top of the market?" he asked. "That was the Soviets, and they're not the enemy anymore." Then he pointed to the bottom of the market—rebar—and said, "The rebar of our world is local policing actions and terrorism." Just as the mini-mills had attacked the massive integrated mills at the bottom of the market and then moved up, he worried aloud, "Everything about the way we do our jobs is focused on the high end of the problem—what the USSR used to be."

Once I understood why I was there, we were able to discuss what the result of fighting terrorism from within the existing departments would be, versus setting up a completely new organization. The Joint Chiefs later decided to go down the route of forming a new entity, the Joint Forces Command, in Norfolk, Virginia. For more than a decade, this command served as a "transformation laboratory" for the United States military to develop and deploy strategies to combat terrorism around the world.

On the surface, competition in the computer chip market and the proliferation of global terrorism could not seem like more different problems to tackle. But they are fundamentally the same problem, just in different contexts. Good theory can help us categorize, explain, and, most important, predict.

People often think that the best way to predict the future is by collecting as much data as possible before making a decision. But this is like driving a car looking only at the rear-view mirror—because data is only available about the past.

Indeed, while experiences and information can be good teachers, there are many times in life where we simply cannot afford to learn on the job. You don't want to have to go through multiple marriages to learn how to be a good spouse. Or wait until your last child has grown to master parenthood. This is why theory can be so valuable: it can explain what will happen, even before you experience it.

Consider, for example, the history of mankind's attempts to fly. Early researchers observed strong correlations between being able to fly and having feathers and wings. Stories of men attempting to fly by strapping on wings date back hundreds of years. They were replicating what they believed allowed birds to soar: wings and feathers.

Possessing these attributes had a high *correlation*—a connection between two things—with the ability to fly, but when humans attempted to follow what they believed were “best practices” of the most successful fliers by strapping on wings, then jumping off cathedrals and flapping hard . . . they failed. The mistake was that although feathers and wings were cor-

related with flying, the would-be aviators did not understand the fundamental *causal mechanism*—what actually causes something to happen—that enabled certain creatures to fly.

The real breakthrough in human flight didn't come from crafting better wings or using more feathers. It was brought about by Dutch-Swiss mathematician Daniel Bernoulli and his book *Hydrodynamica*, a study of fluid mechanics. In 1738, he outlined what was to become known as Bernoulli's principle, a theory that, when applied to flight, explained the concept of lift. We had gone from correlation (wings and feathers) to causality (lift). Modern flight can be traced directly back to the development and adoption of this theory.

But even the breakthrough understanding of the cause of flight still wasn't enough to make flight perfectly *reliable*. When an airplane crashed, researchers then had to ask, “What was it about the circumstances of that particular attempt to fly that led to failure? Wind? Fog? The angle of the aircraft?” Researchers could then define what rules pilots needed to follow in order to succeed in each different circumstance. That's a hallmark of good theory: it dispenses its advice in “if-then” statements.

The Power of Theory in Our Lives

How do fundamental theories relate to finding happiness in life?

The appeal of easy answers—of strapping on wings and feathers—is incredibly alluring. Whether these answers come from writers who are hawking guaranteed steps for making

millions, or the four things you have to do to be happy in marriage, we want to believe they will work. But so much of what's become popular thinking isn't grounded in anything more than a series of anecdotes. Solving the challenges in your life requires a deep understanding of what causes what to happen. The theories that I will discuss with you will help you do exactly that.

This book uses research done at the Harvard Business School and in some of the world's other leading universities. It has been rigorously tested in organizations of all sizes around the world.

Just as these theories have explained behavior in a wide range of circumstances, so, too, do they apply across a wide range of questions. With most complex problems it's rarely as simple as identifying the one and only theory that helps solve the problem. There can be multiple theories that provide insight. For example, though Bernoulli's thinking was a significant breakthrough, it took other work—such as understanding gravity and resistance—to fully explain flight.

Each chapter of this book highlights a theory as it might apply to a particular challenge. But just as was true in understanding flight, problems in our lives don't always map neatly to theories on a one-to-one basis. The way I've paired the challenges and theories in the subsequent chapters is based on how my students and I have discussed them in class. I invite you, as you journey through the book, to go back to theories in earlier chapters, just as my students do, and explore the problems through the perspective of multiple theories, too.

These theories are powerful tools. I have applied many of them in my own life; others I wish I'd had available to me when I was younger, struggling with a problem. You'll see that without theory, we're at sea without a sextant. If we can't see beyond what's close by, we're relying on chance—on the currents of life—to guide us. Good theory helps people steer to good decisions—not just in business, but in life, too.



You might be tempted to try to make decisions in your life based on what you know has happened in the past or what has happened to other people. You should learn all that you can from the past; from scholars who have studied it, and from people who have gone through problems of the sort that you are likely to face. But this doesn't solve the fundamental challenge of what information and what advice you should accept, and which you should ignore as you embark into the future. Instead, using robust theory to predict what will happen has a much greater chance of success. The theories in this book are based on a deep understanding of human endeavor—what causes what to happen, and why. They've been rigorously examined and used in organizations all over the globe, and can help all of us with decisions that we make every day in our lives, too.