Idea Watch

How Companies Can Profit from a “Growth Mindset” A key psychological concept applies to organizations, too. PLUS Why political ties don’t always pay off in China, the true cost of “patent trolls,” and more.
TALENT
HOW COMPANIES CAN PROFIT FROM A “GROWTH MINDSET”

Stanford’s Carol Dweck explores how a key psychological concept applies to organizations, too.

When Carol Dweck was a graduate student, in the early 1970s, she began studying how children cope with failure—and she quickly realized that “cope” was the wrong word. “Some didn’t just cope—they relished it,” she says. “For some people, failure is the end of the world—but for others, it’s this exciting new opportunity.” Dweck, now a psychology professor at Stanford, spent the next several decades studying this dichotomy, which she originally described using the clunky academic monikers “fixed mindset entity theory” and “incremental theory.” By the early 2000s, while writing a mass-market book on the topic, she’d come up with more-attractive labels. She now refers to people who view talent as a quality they either possess or lack as having a “fixed mindset.” People with a “growth mindset,” in contrast, enjoy challenges, strive to learn, and consistently see potential to develop new skills. Dweck’s framework has had a significant impact: Her book Mindset, published in 2006, has sold more than 800,000 copies, and the concept of a growth mindset has come to permeate fields such as education and sports training.

Now Dweck is extending her work on mindset beyond individuals—and the extension has important implications for managers. Can an organization, like an individual, have a fixed or a growth mindset? If so, what are the effects on the organization and its employees? Since 2010 Dweck and three colleagues—Mary Murphy, Jennifer Chatman, and Laura Kray—have collaborated with the consulting firm Senn Delaney to answer those questions.

To explore company mindsets, the researchers asked a diverse sample of employees at seven Fortune 1000 companies about the extent to which they agreed with various statements—for example, “When it comes to being successful, this company seems to believe that people have a certain amount of talent, and they really can’t do much to change it.” High levels of agreement suggested that the organization had a predominantly fixed mindset; low levels suggested a growth mindset. The researchers then conducted surveys to try to understand how the prevailing organizational mindset influenced workers’ satisfaction, perceptions of the organizational culture, levels of collaboration, innovation, and ethical behavior, and how it affected supervisors’ views of employees.

“In broad strokes, we learned that in each company, there was a real consensus about the mindset,” Dweck says. “We also learned that a whole constellation of characteristics went with each mindset.” For instance, employees at companies with a fixed mindset often said that just a small handful of “star” workers were highly valued. The employees who reported this were less committed than employees at growth-mindset companies and didn’t think the company had their back. They worried about failing and so pursued fewer innovative projects. They regularly kept secrets, cut corners, and cheated to try to get ahead.

Supervisors in growth-mindset companies expressed significantly more positive views about their employees than supervisors in fixed-mindset companies, rating them as more innovative, collaborative, and committed to learning and growing. They were more likely to say that their employees had management potential.

Dweck’s team hasn’t yet looked at whether growth-mindset organizations actually perform better, as measured by financial returns and other metrics. “That’s our burning question,” she says. But the findings so far...
suggest that at a minimum, growth-mindset firms have happier employees and a more innovative, risk-taking culture.

How can managers help organizations embrace a growth mindset? “It takes dedication and hard work,” Dweck says. Often top management must drive the change; for instance, a new CEO might focus on maximizing employees’ potential. Dweck points to GE’s Jack Welch as an emblematic growth-mindset CEO: He hired according to “runway,” not pedigree, preferring Big 10 graduates and military veterans to Ivy Leaguers, and spent thousands of hours grooming and coaching employees on his executive team—activities that demonstrate a recognition of people’s capacity for growth.

As Welch’s example shows, one area in which mindset is especially important is hiring. Growth-mindset organizations are likely to hire from within their ranks, while fixed-mindset organizations reflexively look for outsiders. And whereas fixed-mindset organizations typically emphasize applicants’ credentials and past accomplishments, growth-mindset firms value potential, capacity, and a passion for learning. “Focusing on pedigree…is not as effective as looking for people who love challenges, who want to grow, and who want to collaborate,” Dweck says. Google appears to be making such a shift, she notes; the company has recently begun hiring more people who lack college degrees but have proved that they are capable independent learners.

Despite the survey results, not all employees will be happier in growth-mindset organizations, Dweck acknowledges. For example, people who believe they are more talented than others may prefer an organization with a “star” system, where their talent will be better recognized (and compensated). In general, though, the early evidence suggests that organizations focused on employees’ capacity for growth will experience significant advantages.

THE IDEA IN PRACTICE

“How did you get started with “growth mindset”? In 2012 Phupinder Gill became our CEO. He recognized how much consolidation, technology, and globalization are changing our industry and believed our employees needed a growth mindset to think about the business in new ways. We hired Carol to speak with senior leadership and then with all employees. We recorded the sessions, and all new employees watch the video. Gill emphasizes the idea of highlighting the growth mindset. Instead of focusing on output, which can be seen as the result of talent (and emblematic of a fixed mindset), we think about effort. Instead of celebrating employee achievements, we say, “Thank you for your effort.”

Has this changed the way you hire? Yes. We’ve adopted behavioral interviewing techniques using mindset-focused questions. For example, “Describe a time you confronted a challenge. How did you work through it to overcome your doubts?” We don’t hire specifically for growth mindset, but we do look for that quality.

Do some employees dislike the shift? Definitely. Some find that they don’t fit, and some have left for other companies.

Has the cultural shift been successful? It’s too early to say it’s a huge success. But it has allowed us to formalize and institutionalize our innovation process and innovate more quickly.
PRICING
IS EXTRA LEGROOM WORTH FIGHTING FOR?

Consumers pay more to get more, whether it’s beef by the pound, TVs by screen size, or game tickets courtside. But with economy class airfares there’s no correlation between price and comfort, including legroom. Even before recent incidents in which planes were diverted because of passenger fights over reclined seats, customers were demanding more comfort at reasonable prices. JetBlue and United now offer “extra legroom” economy class seats for higher fares that are still well below the cost of business class seats. Expect more airlines to experiment with pay-for-inches pricing models.

YOU’RE NOT PAYING FOR EXTRA INCHES

Average round-trip international fare according to “seat pitch”—the distance from a point on one seat to the same point in the row ahead.

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MONEY DOESN’T BUY COMFORT

There’s no link between comfort rating and price paid for a seven-day round-trip flight between New York and London booked a week in advance, judging from the “happiness scores” on Routehappy.

SOURCE: MICHAEL SEGALLA AND DOMINIQUE ROULZÉS, HEC PARIS; CATALIN CIOBANU AND VINCENT LEBUNETEL, CARLSON WAGONLIT TRAVEL

GLOBALIZATION
IN CHINA THE RIGHT POLITICAL TIES COUNT

No one who has done business in China will be surprised by the idea that relationships with government matter. But a new paper shows that in fact they don’t always pay off. Yes, having political ties sometimes improves a firm’s chances of success—but it turns out that some types of connection are more beneficial than others.

Researchers led by Weiting Zheng, of the Hong Kong Polytechnic University, examined the TV manufacturing industry from 1993 to 2003—a period of significant liberalization. They looked at whether firms had a former government employee on their leadership team and also whether they had had an executive who was now employed in government. They then looked at whether firms subsequently survived and compared their annual revenues before and after their political connections were formed.

Crucially, the researchers distinguished between ties to local and to national officials. They found that local ties were associated with higher rates of firm survival and in some cases to increases in revenue. However, ties to national officials had no effect on either metric of success—but it turns out that some types of connection are more beneficial than others.

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The researchers also learned that local ties were most likely to boost the survival of poorly performing firms. And the positive effect on revenue was seen only among firms that had already been performing well. These findings suggest that political ties are more...
effective at keeping struggling companies afloat than at helping them excel.

The researchers offer several reasons why connections to local government would matter more than national ties. Local governments directly experience the benefits and costs of firms’ operations in their jurisdictions—for example, strong firm performance increases employment and boosts tax revenue. They often have more discretion than the central government does, and they are more likely to focus on local issues and to address the needs of local firms than are national government agencies, which must balance a much broader range of concerns and are less able to respond to the interests of any one firm or even any one industry.

One caveat: It’s impossible to discuss political ties in China without noting the widespread corruption of local government and the ensuing bribery scandals. And so it’s conceivable that some of what the research captures is simply a proxy for that corruption.

Previous research by Harvard Business School’s Lynn S. Paine sheds light on another element firms should consider: Even the most carefully tended ties may not be enough to ensure success. “Executives often believe that obtaining government support for big business deals is just a matter of forging high-level connections or lining the right pockets,” Paine has written. “Connections are no doubt useful, but experienced leaders know that they must also demonstrate their project’s contribution to China’s development.”

The takeaways for firms looking to build leadership teams or partnerships in China are clear. Not all political connections are equal; time spent cultivating local ties may yield higher returns. At the national level, it’s important that companies demonstrate a strong alignment between their corporate strategies and the Chinese state’s development priorities and goals.

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INNOVATION
THE REAL COST OF “PATENT TROLLS”

Much has been written recently about “patent trolls”—people or firms that obtain patents and sue alleged infringers but do not make useful products of their own. U.S. congressional leaders and the White House have called for reforms to fix the underlying problems that give rise to patent troll lawsuits. Boston University’s James Bessen points to several new findings that show just how damaging these suits are to the economy.

“A consistent picture is emerging about the effects of patent litigation,” Bessen says. “It costs innovators money. Many innovators and venture capitalists report that it significantly impacts their businesses. Innovators respond by investing less in R&D, while venture capitalists respond by investing less in start-ups.” He believes the mounting evidence should spur efforts toward reform.

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Suits brought by frequent litigators (largely patent trolls) caused a decline of $22 BILLION in venture investing over five years.

Unless suits were dismissed, firms subsequently reduced R&D spending by 48%.

Small firms hit with extensive lawsuits had previously devoted, on average, 20% of their operating expenditures to R&D.

Afterward they devoted only about 15% to 17%.

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ABOUT THE RESEARCH

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Some of these articles previously appeared, in different form, on hbr.org.