

When Failure Leads to Innovation, and When It Doesn't (Part One)



Successful innovation requires successful experimentation, and successful experimentation requires eagerness to learn from failure. This has become a cliché because it holds true, time and time again.

The great experimenter Thomas Edison is famous for comments such as, “I have not failed. I’ve just found 10,000 ways that won’t work.” The design firm IDEO keeps up that spirit with their now-famous phrase, “Fail often in order to succeed earlier.”

Successful Failures

But let’s distinguish between two different kinds of failure: *instructive failure* and *terminal failure*. Apple’s Newton (PDA) and Lisa computer were of the instructive variety: they were failures to grow on, not failures to stop on. Circuit City was a electronics store chain that failed terminally because they didn’t have enough instructive failures. Failure is inevitable, but you can choose whether it’s instructive or terminal.

Early on, Hewlett Packard exploited the power of instructive failure. According to Peter Sims, “Hewlett Packard cofounder Bill Hewlett said HP needed to make 100 small bets on products to identify six that could be breakthroughs. So, little bets are for learning about problems and opportunities while big bets are for capitalizing upon them once they’ve been identified.” Sims’ “small bets” are what we’d call experiments: *exposure to non-fatal failure that can teach you something*.

The entrepreneur’s challenge can almost entirely be summed up as ensuring that the *learn rate* exceeds the *burn rate*: those who don’t learn fast enough go under.

Deliberate, inquisitive exposure to failure is an experiment. And a clever experiment is like a clever investment: your downside (risk) is manageable, and your upside (lesson) is spectacular. Of course, there *is* a time to bet the farm, but that’s after you’ve learned which farm to bet on.



Failing at Failure

Some people fail at failing: they fail without gaining anything. What's the difference between failure that's experimentation and failure that just failure? Maybe this: if you make a non-fatal mistake *and* learn from it, then it was "experimentation." But if you make a mistake and *deflect any lessons*, then it was simply a failure. Lessons learned lead to innovation; lessons flunked, as in school, tend to be repeated.

Here are some ways to flunk at failing:

- *Finger pointing.* When the question is, "Who screwed up?" instead of "What did we learn?" then the only thing that's learned is how to keep your head down.
- *Reasons, stories, and excuses.* When an organization's lousy results allegedly stem from "the poor economy," or "difficulty finding talent," or "tough competition," then nothing is learned or even speculated about what the organization can do better. Part of Warren Buffet's initial fame stemmed from his annual reports in which he gave blunt assessments of what he and Berkshire Hathaway could have done better. It showed shareholders that lessons were not wasted on him.
- *Unclear success.* Like a scientist with an untestable hypothesis, a leader with an unclear goal can spend a lot of time and money without learning much. For example, when any given organization consolidates two departments to "capture synergies," what does "synergies" mean? Lower costs? Faster product development? Quicker response? What? Without some sense of the *measurable* goal, it will be impossible to get the Edison advantage of learning ways that won't work. (And we've nixed the trick of *defining success after the fact* in an earlier post.)
- *Activity-based success.* Of course, you can be clear about your success, but define it as an activity rather than as a result. In which case, failure and learning are equally unlikely. Again, no hypothesis is tested. For example, government officials often declare success after they've added programs or increased spending. That's it! Nothing about goals set, goals met, or lessons learned. Costs go up, but learning stays flat.

All these problems function as organizational *learning disabilities*: dysfunctions that block learning and therefore block innovation. In the next post we'll suggest some cures.

Meanwhile, what have you done that works? How have you overcome your own organization's learning disabilities? How can you create a failure friendly environment, where team members feel comfortable with experimenting and learning from their failures?

Addendum: We commend your attention to this excellent TEDx talk by Brian Goldman, MD, in which he contends that physicians would make fewer mistakes if only they could admit to their mistakes. Powerful stuff.

