How the " Fear of Failure " is the Enemy of Innovation

Failure seldom stops you. What stops you is the fear of failure. – Jack Lemmon, actor

Fear is the bitter enemy of innovation. Whether you are working in an enterprise or a start-up, fear can undermine your best efforts if you let it. This is especially true in large, process driven, bureaucratic organizations with hierarchical structures. Fear thrives in this type of environment - undermining attempts to change, adapt, innovate, or worse, masking it.

Let's begin with human nature. Human beings are innately fearful. It's part of our DNA and how we survived to get here. We're also fearful of how others perceive us. This is because we evolved as social creatures since our well-being was dependent on others in the tribe / group.

The prehistoric world was a harsh place filled with ferocious animals, hostile tribes, droughts, famine, and disease. Homo sapiens were more successful than other species because they learned how to cooperate and work as a group. If we upset our fellow sapiens, they kicked us out of the tribe, and our chances of survival plummeted since being expelled from the group was a virtual death sentence. Even if a tribal outcast managed to find a way to stay alive, it was nearly impossible to find a mate, so the DNA wouldn't pass on to the next generation. As a result, playing it safe and avoiding doing anything that may risk being in the group are traits reinforced through thousands of years of natural selection.

If you are going to meaningful innovate as a company (ie: be good a disruptive innovation), there is a need to overcome the notion of risk and this hard-coded fear. This is because innovating is the opposite of playing it safe. It's inherently risky, the stakes are high, and the process involves failure. To make matters worse, enterprises are usually structured hierarchically, with defined processes and rules, politics, rewards for success, punishments for failure, etc.

In all organizations, people want to take credit for good ideas, but nobody wants to be associated with bad ones. Because of this people would rather not innovate - unless they know it's going to work. This is problematic since if a project is new or has never been done before, it's impossible to know in advance if it will succeed. To get past this concern, look at it another way - as Jeff Bezos of Amazon says, " It's not an experiment if you know it's going to work".

Interestingly, while people are hesitant to do disruptive innovation, they are also loath to kill a project once it's started - even if it's headed nowhere. In an enterprise it's usually safer to keep the project going and hope the team will figure out a way to save it. Unfortunately, this results in a waste of time and resources based on false hope that is demoralizing, destroys value, etc.

In contrast, to meaningfully improve outcomes from innovation is for people to rapidly do ideation, assessment, testing, etc. to find the few opportunities that have real potential by discarding the + 90 % of ideas not important to the future of the organization. Further, many ideas in the 10 % group will be roadkill ! This is the reality of innovation in enterprises, in venture investing, with start-ups, etc.   Because of this, and to respect the more innovative a company wants to be to meaningfully improve outcomes (ie: have + 30 % of revenue from products / services created in the last 3 years), it's critical to have the mindset, talent and processes to " find the few winners " and quickly discard and learn from the rest - to get past issues with the high failure rate. This is also a reason to build an innovation project portfolio to prudently manage the high risks associated with creating the future.

In the way of perspective, with every innovation initiative there are many unknowns. Since people typically don't like uncertainty, they instinctively shy away from doing new things or taking chances. Numerous studies have shown that people will almost always choose a certain outcome over an uncertain outcome - even when it's disadvantageous ! For instance, when people are offered an 85 % chance to win $1,000 (with a 15 % chance of winning nothing) - or receiving $800 - the majority will choose the sure thing over the gamble (even after it is explained to them that the gamble is a better deal on average). Mathematically - If everyone chooses the chance to win $1,000, the average will come out to be: $(0.85 \times \$1,000) + (0.15 \times \$0)$ = $850. (versus the guaranteed $800.). While in this case the difference is minimal, in business the outcomes are usually much more significant that over time determines if the organization thrives, survives or dies. Based on changes in the Fortune 500 list over the years, all 3 scenarios are occurring. Of concern with this is that established enterprises on the list (having their origins in an analog, commodity based world) are really challenged when having to compete against modern digital based organizations with new business models and new ways of delivering value. To address this is why established enterprises need to be successful at doing disruptive innovation.

Another example of the challenge with innovation in enterprises is with new projects. What will happen if you give people the choice of joining a project that is nearly certain to succeed with a small payoff - or - taking a risk on an innovative project with a high degree of uncertainty but potentially big payoff ? In an enterprise, small and safe wins almost every time!

To better position enterprises to move forward, we can learn from how entrepreneurs, scientists and explorers view failure. They come up with a hypothesis, they run a series of tests, and if it doesn't work, they try again. If they threw up their hands and proclaimed themselves a failure the first time they hit a dead end, we'd have no new discoveries, science or businesses ! Entrepreneurship, science and exploring is about look ahead as well as repeatedly trying and failing – until you get the desired outcome. There's no stigma attached to experiments that produce results that differ from the hypothesis. This is part of the process. In this world and the nature of innovation it's about seeking new opportunities, greater understanding and knowledge, continually create new hypothesis, test them out, learning and noting the results.

To be successful, it's not about the status quo, blocking change, protecting a reputation, etc. - it's about realizing potential, making good on opportunities, creating wealth, etc.

The problem is that most people in enterprises are not entrepreneurs, scientists or explorers ! They care about adhering to processes, predictability, their reputation, likeability, etc. Further, in the enterprise, failure is looked down upon – especially the more potential the disruption. The logic goes that if you are involved in a failure, people will lose respect for you or not trust your judgement. As you well, you will lose status and influence and probably put your career opportunities in jeopardy. To avoid these issues, you have to have a track record of success. This is how you get – promoted , funding , ahead, opportunities , etc. Predictability is everything – and why enterprise environments tend to be toxic to disruptive.

With this and that fear of failure is part of our DNA, most people don't realize how if affects their thinking and behavior – they avoid something or someone they don't like ! Getting past this is a huge challenge – if the objective is to " Innovate for Impact " to meaningfully improve business outcomes. Fortunately, many people are creative in some form. In every enterprise, while numerous people are conservative and go along with the status quo, there are talented, creative people who have ideas and would like to innovate to make things better. But they frequently don't because of enterprise culture and structure whereby people tend to be punished for failure far more than they are rewarded for success. Any rational person in this environment sooner or later comes to realize that getting involved with a potential disruptive innovative project is a very risky career move. And hence the reason why meaningful innovation in enterprises is tough.

MYTH : IT PAYS TO GET IT RIGHT THE FIRST TIME

Many people think that it pays to get it right the first time. The problem is that teams that try to get it right the first time tend to focus on less risky, less innovative solutions. It makes sense because that's the only way to ensure they'll get it right. So if you don't want to innovate, try to get it right the first time.

In order to have an innovative company at all levels, not just in an Innovation Dept, the R & D lab, certain Executives - the need is for the organization to :
1. want to explore, accommodate change, seek the new, look for big opportunities, develop a learning culture (especially from failures), etc.
2. have people develop new skills / thinking / objectives / metrics , challenge traditional assumptions , etc.
3. downplay rigidity, the old ways, stigma and other barriers to innovation

While there may be issues with the CEO, an example of promoting a progressive company culture is at Facebook, they have three tenets that all employees are encouraged to follow :
1. Move fast and break things
2. What would you do if you weren't afraid ?
3. Put people at the center of things.

The first two are designed to give employees both permission to fail and the freedom to take risks. The third is the core of their social network. Combined, they form the philosophy that has driven Facebook form a dorm-room project to one of the most influential and valuable companies in the world.

As in this case, as well as with successful start-ups and enterprises, getting past the fear of failure is essential to meaningfully improves outcomes from innovation. With this, it's important to understand and explain, not covering up, the role failure plays in progress. It's part of the process to enable an enterprise move into the future and for people to explore and feel secure in taking the risks needed that will lead to a breakthrough. Edward D. Hess, professor of business administration at the Darden School of Business, says, " Failure is a necessary part of the innovation process. From failure comes learning, iteration, adaptation, and the building of new conceptual and physical models through an iterative learning process. Almost all innovations are the result of prior learning from failures". For further proof of this, talk to leading venture capitalists, entrepreneurs, scientists, etc. It's a mindset – from many lessons learned and with a very expensive education !

Another example of innovating for impact by addressing the fear factor is the mayor's office in Boston. Because governments tend to be even more risk averse and slow moving than most organizations, getting bureaucrats to innovate is a huge challenge. To tackle this issue, the mayor's office established the New Urban Mechanics team, which is made up of individuals who do nothing but innovate for their jobs. In other words, their job is to take risks and fail. These innovators spend all their time helping other departments launch new innovation projects with the goal of solving hard problems. Susan Nguyen, the program director, explains, " If the project succeeds, the department takes all the credit. If it fails, we take all the credit." This is the key. The innovators give the other departments permission to fail by accepting all responsibility, essentially removing the downside while keeping the upside. By sheltering the departments, they can create an environment of trust and security, which is conducive to experimentation and risk taking.

Famous Innovators from Infamous Fumbles

The following examples provide insights on innovating for impact and the mindset needed to achieve great success. People who learned, adapted and persisted (despite initial failures or rejection) include –

- Colonel Harland Sanders's secret chicken recipe was rejected over a thousand times. But the colonel never gave up, founding Kentucky Fried Chicken when he was 65 years old !

- Mark Cuban failed as a carpenter, cook, and waiter, but he did manage to sell Broadcast.com to Yahoo for billions. Mark likes to say, "I've learned that it doesn't matter how many times you failed. You only have to be right once. I tried to sell powdered milk. I was an idiot lots of times, and I learned from them all."

- Arianna Huffington's second book was rejected by 36 publishers. Later she founded the Huffington Post, one of the most successful online news websites in America !

- Frank Winfield Woolworth worked at a dry goods store, where his boss refused to let him wait on a customer because he thought "Frank didn't have enough common sense to serve the customers." Frank went on to found the F. W. Woolworth Company !

- Akio Morita, who cofounded Sony, came up with a rice cooker as his first product. The problem was that it burned the rice. Luckily, he went on to other things !

- Milton Hershey started three different candy companies, and all of them failed. The fourth time was a charm !

- Bill Gates and Paul Allen founded Traf-O-Data. The product barely worked, and the company failed. Later they started Microsoft !

- When Thomas Edison was a boy, his teacher told him that he was too stupid to learn anything and suggested he go into a field that did not require intelligence. Perhaps Edison's 1,093 patents were a way of proving his teacher wrong. But Edison wasn't an infallible genius - he did over 9,000 experiments before he created the lightbulb. From this, Edison said "I have not failed. I've found thousands of ways that won't work".

- Fred Smith came up with a business concept at Yale University that nearly earned him a failing grade. This business idea was FedEx !

- Henry Ford's first two car companies failed and left him broke. We all know about the third one !

- Rowland Hussey Macy opened 4 retail dry goods stores, and all or them failed. He learned from those mistakes, and Macy's was born !

- Richard Branson is famous for Virgin Galactic, Virgin Records, and Virgin Airlines, but nobody talks much about his many failures including Virgin Cola and Virgin Vodka.

- George Steinbrenner owned a small basketball team called the Cleveland Pipers, which went bankrupt under his leadership. Thirty years later, he led the New York Yankees to an incredible comeback with six World Series entries. It became one of the most profitable teams in Major League Baseball !

- Soichiro Honda applied for a job at Toyota and was rejected. Without work, he began making scooters at home, which he sold to neighbors. These were the first Hondas !

- Walt Disney was fired by an editor because "he lacked imagination and had no original ideas." To add injury to insult, Disney's first animation company went bankrupt. The rest is history.

Conclusion

Based on the above insights, getting past the fear of failure is critical for an enterprise to have a future. If you don't remove the fear of failure, your company will be stuck with incremental innovation - where employees improve products and services rather than create entirely new ones. And/ or continuing with sustainable innovation to improve operational efficiencies and reduce costs.

Incremental and sustainable innovation are safe with relatively little risk. It is what enterprises have been doing for a long time and are good at. But incremental and sustainable innovation won't stave off a paradigm shift, make new markets, create new opportunities, etc. They're defensive moves to position an enterprise to retain market share, evolve the status quo, etc.

For a company to meaningfully increase relevance and revenue, invent new products / services, grow current markets, successfully enter new markets, leapfrog competitors, define new value, evolve their business model, etc. – the need is to be good at disruptive innovation – sooner than later.

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