



# HORIZON ON THE

## THE STRATEGIC ROLE OF FAILURE

In the last issue I talked about exploring markets and exploiting competencies. Doing either introduces risk. Companies are loathe to invest in something that they know will fail. By only investing in things they know will succeed, they limit the range of possibilities and the potential for tremendous, market-changing, competition-squelching success—the kind of success that cements a company in the minds of its customers and leads to long-term revenue advantages.

I've talked previously about Google as a case study for market exploration. Their approach of pushing beta versions of new ideas out to the market is unusual, risky, and results in untimely failure. They reportedly run about ten experiments for every product they launch. Later in this issue I'll talk more about another Google example—Google Wave. It is a strong example of why businesses need to find ways to work with failure as a starting point.

While chronic failure won't bode well for an organization, no failure may actually be just as bad from a growth perspective. Zero defects might be useful in manufacturing but in growing a business, it may mean you aren't looking at new ideas, which means you are missing serious growth opportunities. You don't want failures in your manufacturing process to produce critical devices (pacemakers, car brakes, etc), but you might be able to take some more risks with other types of products or services, as well as marketing messages and consumer engagement.

Colin Ashurt from silicon.com wrote recently about investments in ideas: "...they won't always work—but some of them will provide valuable new innovations that will lead to strategic projects later on. If they fail, better they fail now, having had minimal investment, than later after much more would be at stake."

Take a look around. When was the last time your team had a failure? What were the consequences?

**Are your people willing to fail? Do they have the courage to take risks?**

North Highland,  
Denver Office

### Special points of interest:

- Failure as an important part of business growth
- Idea markets pushing the opportunity to trial new products.
- Fallacies that support failure—turning to Mitzberg

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## INDUSTRY SPOTLIGHT

**Think of one thing you would do if you weren't afraid to fail.**

In the last issue, we talked about Google's ongoing experiments with consumer products and their approach to pushing applications out in beta to get user input and understand the market. In 2009, Google launched Google Wave. You may have heard about it in the press, because it made a splash, but if you are like most people, you never actually tried it. Google Wave was a market failure.

In the final April 2010 blog post for Google Wave, the product leads wrote the following::

*"We have always pursued innovative projects because we want to drive breakthroughs in computer science that dramatically improve our users' lives....We were equally jazzed about Google Wave internally, even though we weren't quite sure how users would respond to this radically different kind of communication..... Wave has not seen the user adoption we would have liked.*

*We don't plan to continue developing Wave as a standalone product, but we will maintain the site at least through the end of the year and extend the technology for use in other Google projects.....*

*Wave has taught us a lot, and we are proud of the team for the ways in which they have pushed the boundaries of computer science. We are excited about what they will develop next as we continue to create innovations with the potential to advance technology and the wider web."* (for the full blog, entry please see [google-blog.blogspot.com/2010/08/update-on-google-wave.html](http://google-blog.blogspot.com/2010/08/update-on-google-wave.html)) .

It is a fascinating response to what can only be termed a failure by market standards. The announcement is clear—Wave did not deliver and is being stopped. Equally clear—it will inform the future in ways that could never have been predicted without taking the risk.

Despite such a high profile failure, Google remains one of the most viable and influential players in the market today. They are having success with products like Android, which according to Gartner is leading sales worldwide of mobile operating systems, topping Apple and Blackberry in Q310. Their commitment to risk is paying off across their product portfolio.

**The need to be right all the time is the biggest barrier to new ideas. It is better to have enough ideas for some of them to be wrong than to always be right by having no ideas at all.**

**EDWARD DE BONO (author of The Six Thinking Hats)**

## INDUSTRY BRIEF — IDEA MARKETS

If you aren't taking risks in your organization, you may not even be hearing about good ideas that could be worth a trial. Generating and understanding ideas can be tough in many environments, especially when dollars are tight.

In the last few years, the market for good ideas has become a business itself. Entrepreneurs used to have to develop their ideas along to the point where someone would be willing to fund them further (both within companies and independently with venture capitalist). These markets provide ways for good ideas to get out there and for the creators to quickly get feedback for improvements, possibilities, and options.

One example of an idea market is yet2.com. This site connects people who need technology solutions with people who are developing technology. The mission of their marketplace is to be “the most efficient way to locate the innovation that you need and the most efficient way to place innovations that you want to sell, license, or leverage.” Check it out for some interesting ideas that are percolating, and for an example of how to connect ideas with developers.

Another site worth checking out for how to generate good ideas is the Pepsi refresheverything.com site. You might find an idea worth voting for, but more importantly, you might see a potential to do something similar within your

### Marketing Failures

Breaking news last month about a marketing failure—The Gap attempted to rebrand, to dismal results. While they reacted quickly to the firestorm of criticism from their consumers, they were also quick to point out that they didn't feel the logo development was “appropriate” to discuss with their customers.

Their official media release read as follows: “We've learned a lot in this process. And we are clear we did not go about this in the right way. We recognize that we

organization. This type of model gives you the infrastructure to identify ideas that might be worth pursuing.

GE Energy used an idea market internally for a month to hear about the ideas within the group for improving on how they do business. While the results were mixed in terms of reception, it generated several ideas that were taken to the investment stage and continue to be developed.

Idea markets are not necessarily new, but new technologies and platforms make them more accessible to even the smallest or least technologically adept organization. Hosting an idea market for a defined period of time within your organization will provide an incredible wealth of ideas, some of which will work and some of which won't. But, if you never hear about them, you will never have the opportunity to try some of them.

Internal targeted idea markets tend to work best when they are time-bound, easily accessible, and have clear requirements for submission and response. Ideally, there is some sort of incentive for submission and for quality of submission. Consider hosting an idea market for your organization, and see what happens. Then, let me know, I'd love to hear about your results!

**In the absence of failure, success is impossible.**

*missed an opportunity to engage with the online community. This wasn't the right project at the right time for crowd sourcing.”* It is an interesting response—acknowledging the failure, but still indicating resistance to the possibility that they could have taken a risk on a different approach. I would speculate that a crowd-sourcing effort may have also failed, but probably at a lower cost, faster, and with less market repercussions. One thing is for sure, taking the most familiar path isn't a way to guarantee success.

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## NORTH HIGHLAND

Editor, Julie Williamson  
600 Grant Street  
Denver, CO 80210

Phone: 303.740.6250

E-mail: [julie.williamson@northhighland.com](mailto:julie.williamson@northhighland.com)  
Julie is a Principal in our Denver office, and currently working on her PhD in Organizational Communication at the University of Colorado

We produce real, measurable results for our clients. In fact, we guarantee our work. Working with North Highland will change the way you think about consulting.

## PARTING THOUGHTS—THREE FALLACIES

Henry Mintzberg has been a prolific writer in the areas of strategy and strategic management. He offers three fallacies that cause strategic planning to fail.

First, he highlights the *fallacy of prediction*, the assumption that market variables can be analyzed and the future reliably predicted.

Second is the *fallacy of detachment*. Detachment occurs when those who create the strategy are not those who have to act on the strategy, and when a strategy is based on purely quantitative data without regard for qualitative impacts.

The *third fallacy is that of formalization*. This is the belief that formal systems are superior to human systems for information processing and decision making.

Combined, these three fallacies contribute to a systemic failure to implement strategy that continues to plague organizations today. I believe they also contribute to other types of failures including project delivery, product development, and customer relationships.

Consider whether you are buying into any of these fallacies as you approach a project. Challenge your assumptions about things like the value of data versus intuition. Test your openness to failure for yourself and your team.

In the next issue, I'll talk about another common fallacy—multi-tasking— and how it impacts business success. You might be surprised by what we are learning about the relationship between productivity and multi-tasking.

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