Failing By Design: Intelligent Experimentation in an Uncertain World

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What Great Business Leaders Know….

“Show Me Your Scrap Heap!”
Failure – Prone investments can be highly profitable

- 2011
  - Venture 1
  - Venture 2
  - Venture 3
  - Venture 4
  - Venture 5

- $100 investment
  - Venture 6
  - Venture 7
  - Venture 8
  - Venture 9
  - Venture 10
And in three years? Not such good news…

- 2014
  - Venture 1
  - Venture 2
  - Venture 3
  - Venture 4
  - Venture 5
  - Venture 6
More not so good news…

- January, 2014
  - Venture 7
  - Venture 8
  - Venture 9
A 90% failure rate and we’re still happy to invest!

- 2014

$5,000 return
In an uncertain environment, the range of possibilities expands.

Accepting failure extends the range of options you can keep open.
Learning what doesn’t work…to find out what does.
“Rita, sometimes things have to fall apart before anyone musters the will to fix them”
New Leaders
Improving Intuition and Skill
Principles for Intelligent Failure
1. Decide what success and failure would look like before you launch an initiative
2. Convert Assumptions to Knowledge

Range of Uncertainties (Risk)

Checkpoints

Investment Profile (Costs)
3. Fail Fast
4. Fail cheaply
5. Limit Uncertainty
6. Build a culture celebrating intelligent failure

A.G Lafley's 11 Biggest Innovation "Failures"

<table>
<thead>
<tr>
<th>BRAND</th>
<th>IN MARKET EXPERIENCE</th>
<th>KEY LEARNING</th>
</tr>
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<tbody>
<tr>
<td>1. Fit Fruit and Vegetable Wash</td>
<td>Still in market, owned by another company</td>
<td>Required significant consumer habit change</td>
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<tr>
<td>2. Dryel At-Home Dry-Cleaning Kit</td>
<td>Still in market, owned by another company (for niche audiences)</td>
<td>Required significant consumer habit change</td>
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<tr>
<td>3. Oxydol Laundry Detergent</td>
<td>Still in market, owned by another company</td>
<td>Bad/small idea</td>
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<tr>
<td>4. Lemon Dash Laundry Detergent</td>
<td>$75+ million in retail sales for P&amp;G, discontinued</td>
<td>Good idea No difference vs. other detergents</td>
</tr>
<tr>
<td>5. Bold 3 Laundry Detergent</td>
<td>Discontinued</td>
<td>Small idea</td>
</tr>
<tr>
<td>6. Solo Laundry Detergent</td>
<td>Discontinued</td>
<td>Small idea</td>
</tr>
<tr>
<td>7. Olay Cosmetics</td>
<td>$100 million in retail sales for P&amp;G, discontinued</td>
<td>Didn't do the right consumer testing before launch</td>
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<tr>
<td>8. Physique Hair Care</td>
<td>$100 million in year-one retail sales, discontinued</td>
<td>Didn't sustain brand differentiation vs. competition</td>
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<tr>
<td>9. Vidal Sassoon Hair Care</td>
<td>$50+ million in retail sales, discontinued in U.S., business still strong in Asia</td>
<td>Didn't do the right consumer testing before launch</td>
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<tr>
<td>10. Torengo's Salted Snacks</td>
<td>Discontinued</td>
<td>Competitive, walled city</td>
</tr>
<tr>
<td>11. Tempo Tissues</td>
<td>Discontinued</td>
<td>Small idea</td>
</tr>
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7. Codify and Share what you learn
Conclusion: A contract for intelligent failure

- The effort involves genuine uncertainty
- The outcome will be decisive because we planned carefully
- It’s riskier to do nothing - or to conduct further analysis – than to act and fail
- The cost is small
- The underlying assumptions are documented in writing
- There is a plan to test the assumptions
- The risks of failing are understood and to the extent possible, mitigated
- The cost is contained
- Commitments are scaled according to our increasing understanding
- We’ve defined what success would look like – and the opportunity is significant