

# Failing By Design: Intelligent Experimentation in an Uncertain World

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# What Great Business Leaders Know....



COURTESY: XEROX



“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



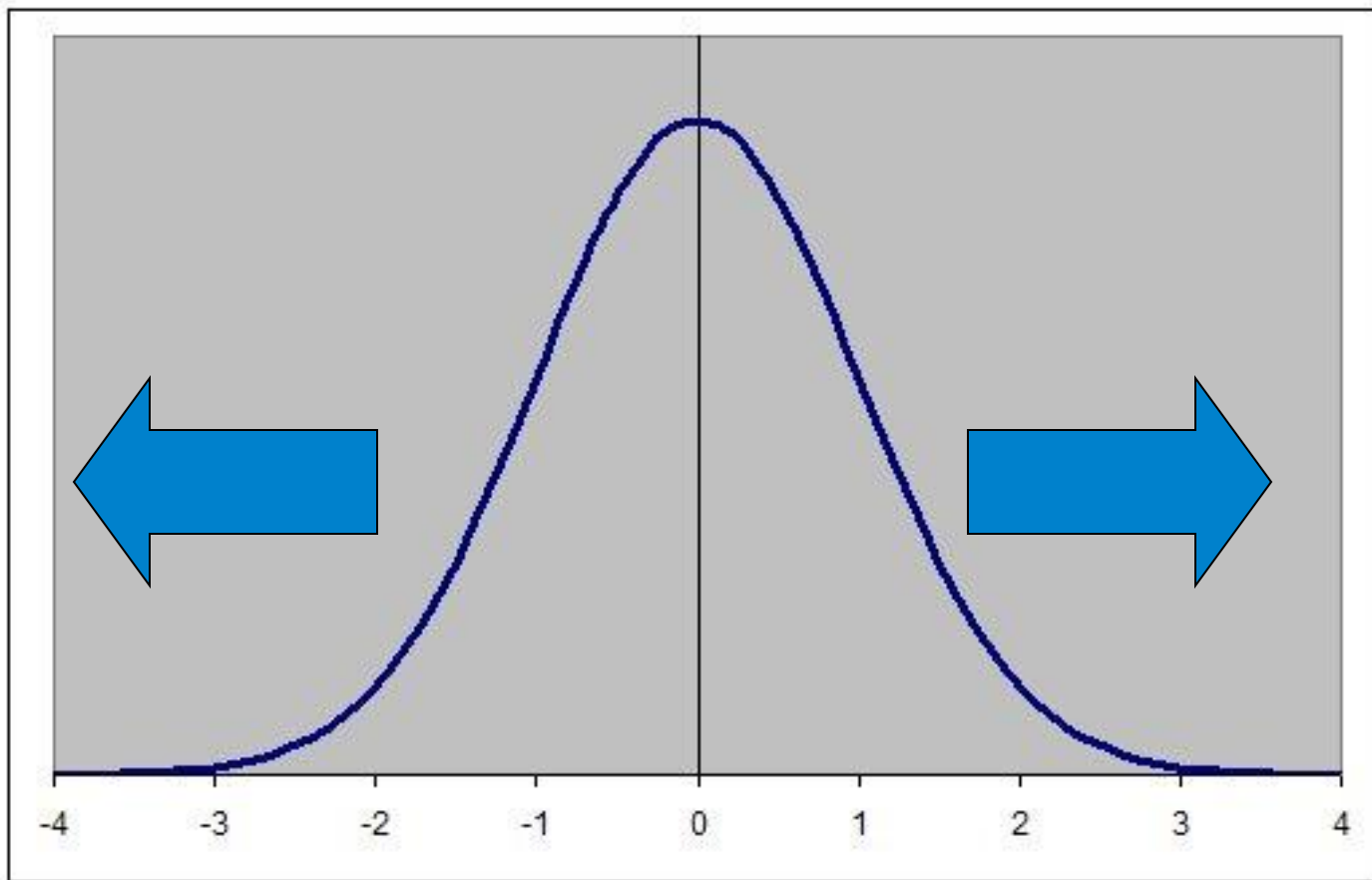
# A 90% failure rate and we're still happy to invest!

- 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.



Intuit **QuickBase**





# Attracting resources

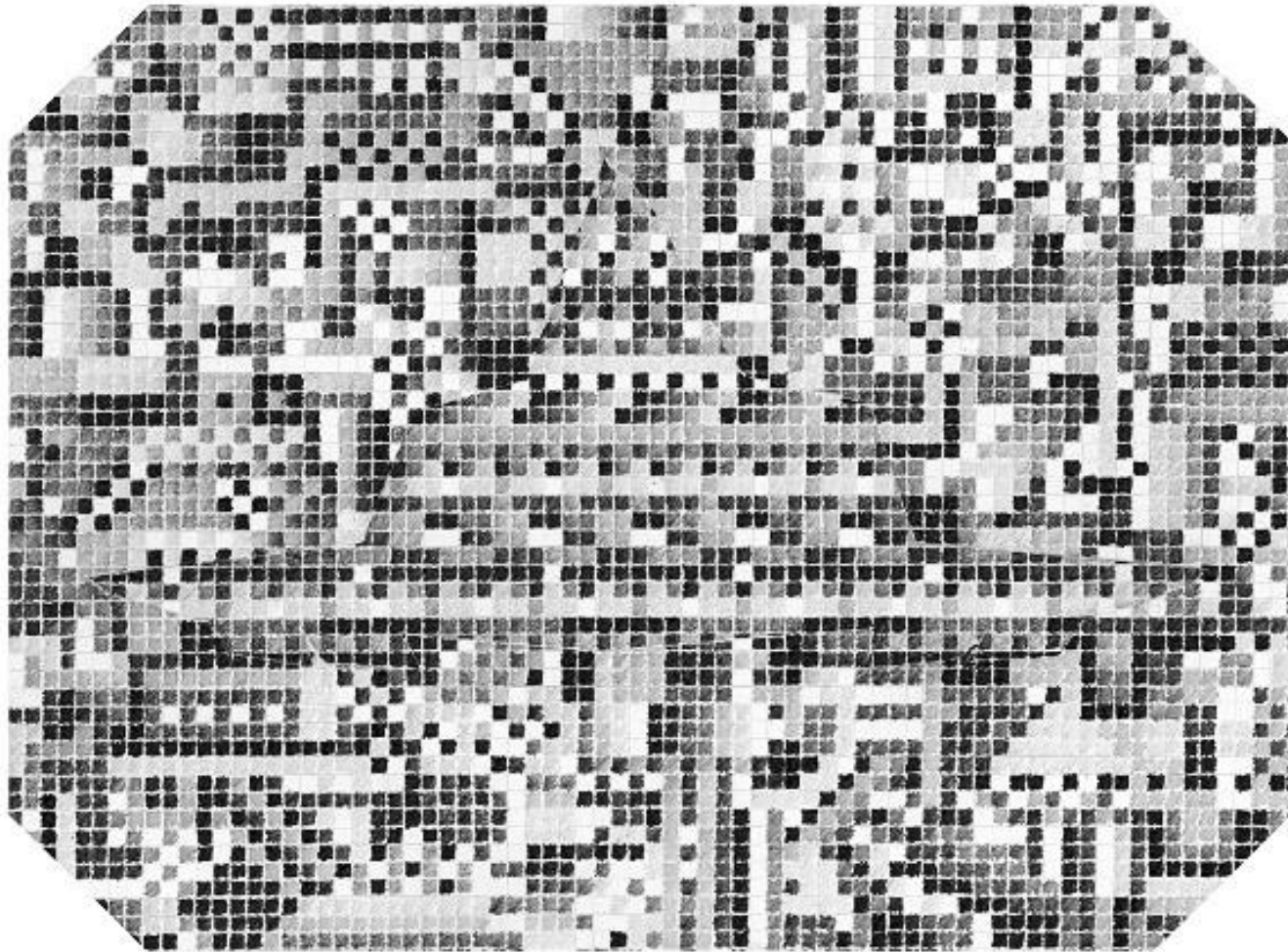


“Rita, sometimes things have to fall apart before anyone musters the will to fix them”

# New Leaders



# Improving Intuition and Skill



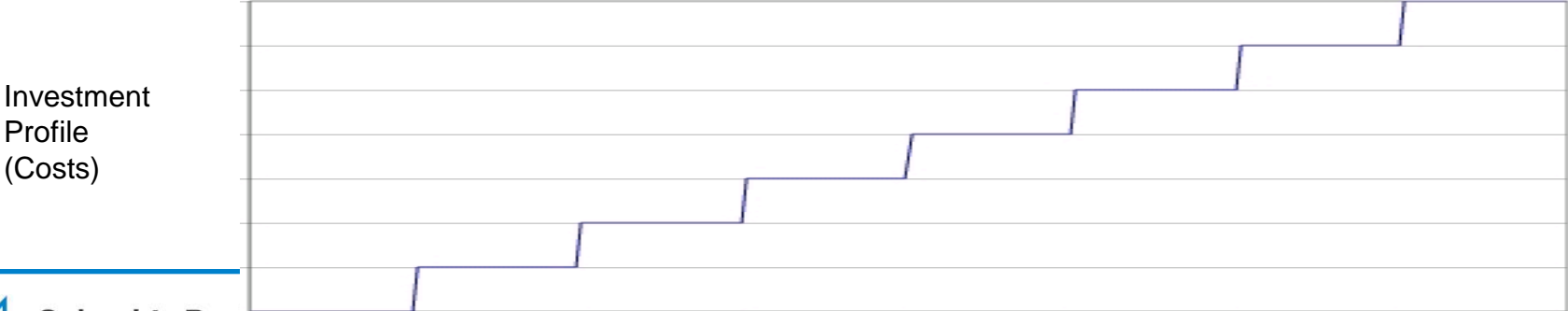
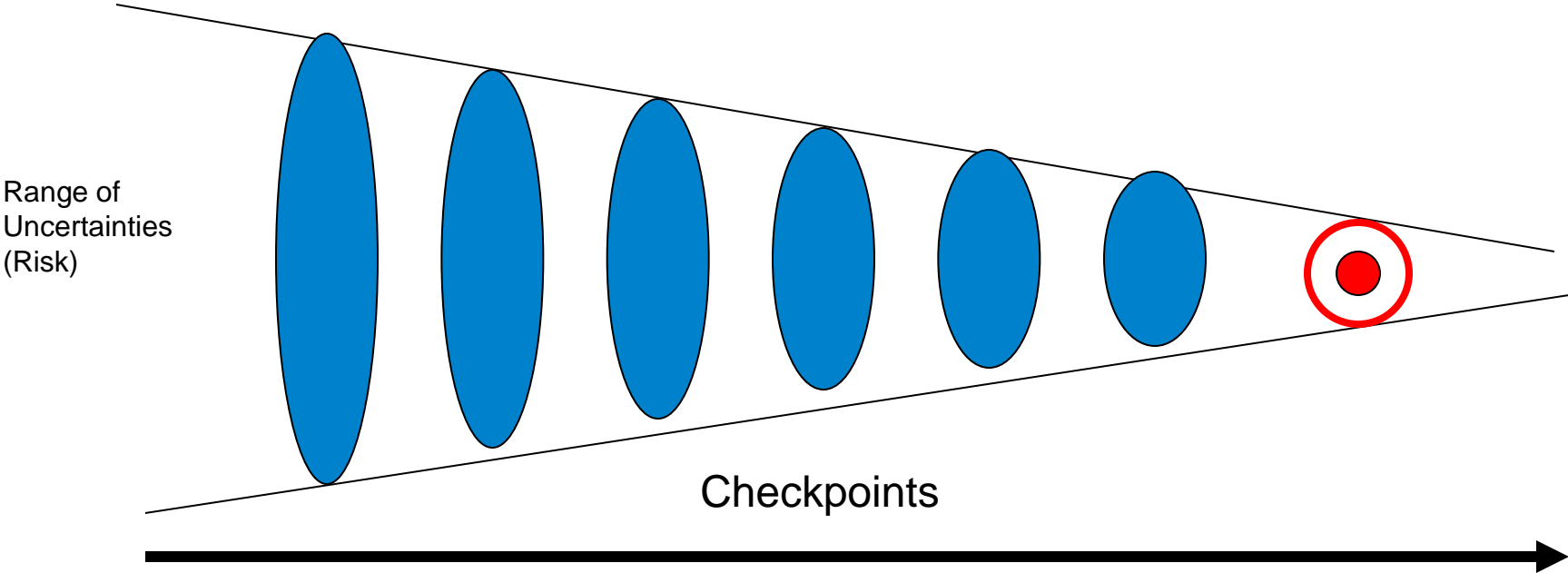
# Principles for Intelligent Failure



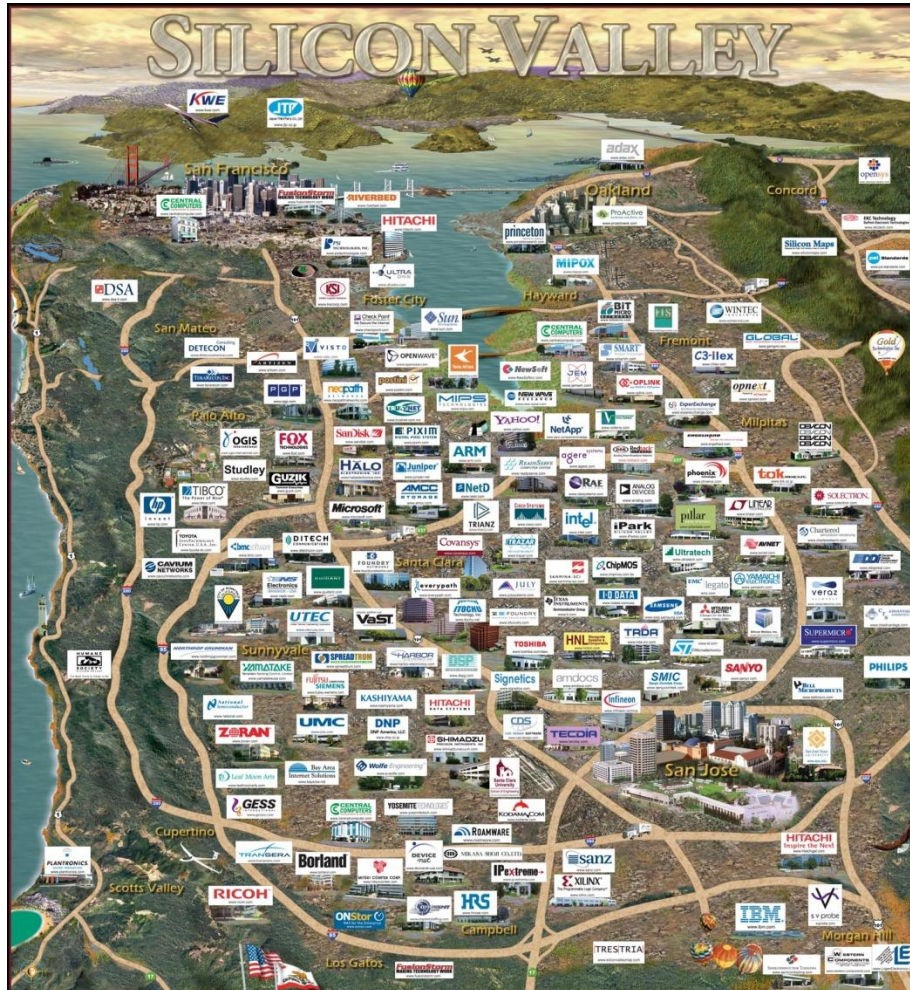
# 1. Decide what success and failure would look like before you launch an initiative



# 2. Convert Assumptions to Knowledge



# 3. Fail Fast



## 4. Fail cheaply





## 5. Limit Uncertainty



# 6. Build a culture celebrating intelligent failure

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

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

## 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