

A Consultant's View

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The Necessity of Failure

In today's society, people are trying hard to protect others from failure. We see "helicopter parents" trying to protect their children from any problems to over achievers getting perfect scores to get into the right university. The trouble with this is that human beings learn the most out of failures, not successes. There are many people who have not experienced failure after failure. When the inevitable failures come, they will crumble. Instead of avoiding failures, we need a system to learn from failures

There are several interesting books out on how much we benefit from failing. Scott Adams has *How to Fail at Almost Everything and Still*

Win Big: Kind of the Story of my Life. Megan McArdle has *The Up Side of Down: Why Failing Well Is the Key to Success.* Both are interesting reads.

In this fast paced business, failure has to be an option. The slogan "failure is not an option" is not only wrong but dangerous because of how people react in such cases. When failure is not an option, often people do not try. Competent people will freeze up in an "Imposter Syndrome". When failure is punished, people build a culture of hiding and covering up which causes even more problems.

Inevitably, we will face some event we have not planned for. In most cases we will fail. In order to succeed, we have to keep trying new stuff. That means that we will fail more than we will succeed.

However, simply allowing failure is not a good practice. It is not the failure that is important, but having a system of learning after a failure.

Thomas Edison made mistake after mistake trying to make the first commercially viable light bulb. He failed in selling a system of recording votes. He failed in developing new methods of mining iron ore. However, he had a system of working through the failures which allowed him to keep trying new ideas. Eventually, he found things that worked.

Texas and California are different but have one thing in common: both allow people to have second chances in business. Silicon Valley is practically built on

people who have been in one start up after another. Texas is known for how liberal its bankruptcy laws are. Both states rely on people learning from their business mistakes. This acceptance of failure gives both states a more vibrant business community.

A system to learn from failure includes a number of parts. Some of them are: Acknowledging the failures, not punishing people for failing, asking what we can learn from each failure, looking at the system as a whole instead of a collection of parts, and asking how can the team work together to prevent similar failures in the future. A team working together is more likely to see common failures early and head them off. (However, teams are just as likely to miss rare failure events.)

By having a system of learning from failure, we can build a resilient team.

Humans Learn Through Failures

Politicians make bad Venture Capitalists

There have been a number of programs run by states and other localities to try to improve the business environment. Some are even given names to suggest that they are to operate as Venture Capital programs. These have repeatedly failed. Politicians and government bureaucrats make bad venture capitalists.

There are three fundamental problems with putting politicians or government bureaucrats in charge of a venture program. These problems are inherent to their character and positions.

The first problem is that politicians and government bureaucrats are unable to judge a business risk. Success in politics and government requires avoiding business risk. It would take many years of retraining to learn how to judge business risks.

The second problem follows from the first. Since they are not experienced at judging business risks, they make judgments based on what they are good at: judging whether or not someone will be a good political ally.

A third problem is that failure of government programs is not accepted by the public. People expect that government investments will succeed. Venture Capital is built around a large percentage of failure.

The results are that politically connected companies get "investments" and a large number of those investments will not provide any benefit to the area. New Mexico had a venture investment attempt and it put money into political ventures. Texas has a Technology Fund which has invested in politically connected companies.

Every such program will wind up being used for political purposes instead of helping business ventures.

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Risky World

USB thumb drives have been used as if they are harmless. A recent report showed that the basic design is flawed and they can be used to transmit viruses and more. Best practices will mean that a USB thumb drive can only be used once and then it must be considered suspect.

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