

# A Consultant's View

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## Dealing with Failure

In one poker hand, Jeff Ma went from betting a few thousand to betting \$50,000 and losing it all with people screaming in the background. (Told in his book, *The House Advantage*.) He went back to his room to reflect on what went on. After reviewing the odds at each point, he figured out that he had made the proper decision each time. After that, he went back to the tables and won far more.

Life is full of failures.

Ask any sales person and they will talk about the number of "No"s they face. It is how we handle failure that counts far more than whether we fail. People handle failure in many different ways. Some ways are helpful and other ways delay or even get in the way the hard work of moving on from failure. Too many managers treat failure as an opportunity to place blame rather than an opportunity to help the organization move forward.

In order to learn from failure, we need to properly identify why the failure occurred. The reasons can range from willful deviation from instructions to exploratory testing of an idea. Amy Edmondson lists a number of reasons in a Harvard Business Review article. They are: Deviance, Inattention, Lack of Ability, Process Inadequacy, Task too difficult for the person, Process hits a complexity limit, People are uncertain about what to do, Testing a Hypothesis, and Exploratory Testing of an Idea. Of these, the first two are the only ones where blame is properly placed on a

person. Even with the Inattention, there may be ways to design the process so that inattention is minimized. The rest are opportunities to improve the organization.

For our organization to move forward properly from failure, we need to know the real reason for the failure. When we blame the person but the cause of the failure is one of the other reasons, we teach the wrong lesson. While the person might learn one thing, the organization learns that such failures are costly and becomes less risk taking.

### Know the Real Reason For Failure

Facing failure is difficult for most managers. This is human nature. We do not want to admit to our part in any failure. Yet, the failure chain can lead to the top. When we make it difficult to face failure, we actually

make it more likely that the organization will fail.

The pressure of today's business climate mean that corporate leadership is focused on returning as much "value" as possible to the shareholders. Often employees will break the rules in order to deliver on that pressure. When top management has blessed that breaking of the rules, then the whole organization will hide the inevitable failure. A pattern of hiding failure sets up the company for catastrophic failure. (See Enron for example.)

On the flip side, so many successful entrepreneurs cite their many failures as why they are successful now. They are open about such failures and learned from their failures. "We fail until we succeed."

## The Data is Too Late

Are you making the decisions too late? If you are looking at the data, that is a backward looking view, not forward looking. We are taught to look at the data. But when we work too hard to find and look at the data, we often have missed the opportunity because that data comes too late.

Bill Gross talks about starting Cars Direct which allowed people to buy cars over the Internet. It took them 80 days to get the test site ready (when they had 90 days total to show that people would buy cars that way). The person in charge of getting the site up kept trying to make the site perfect when the need was to have a test site to prove the concept. He nearly missed the window.

Many a large corporation makes decisions based on the data. They do market research. They measure the sales every quarter. They listen to the data. So that by the time that the data shows that they need to change, it is way too late. The data is always behind the market.

Entrepreneurs have to be out there listening to the customers. Often, we need to listen to their concerns but look ahead of what they say they need. The problem that they need solved often is not the one they see. Once you show them a solution to the real problem, they jump on it with joy.

In the case of Cars Direct, the site went live on Thursday night and they sold four cars overnight. When Bill Gross heard that, he took the site down right away. The concept had been proven (and they were losing \$4,000 per car they sold). At that point, they could show the investors that the concept was solid and they could build the nice site with all the options that the programmers wanted to add.

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Our world is getting more connected – via smart cars and hotel rooms that have voice activation. The smart cars do not always erase the information which means your rental car might have pulled a lot of information about you and is keeping it for the next hacker. Smart rooms / devices / GPS units don't always know when not to listen and have acted on words spoken in conversations.

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