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## Failing Forward: A Front End of Innovation Webinar

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I'd like to share with you some insights from a recent webinar I moderated, "Failing Forward," part of the Front End of Innovation webinar series produced by KNect365. My fellow panelists were Karen Tilstra, Ph.D., Innovation Architect at Florida Hospital Innovation Lab, and Soon Yu, formerly Global Innovation Officer of VF Corporation.

Soon's topic was, "Fail to Innovate: How to Make Failing a Competitive Advantage". His focus is on the personal growth opportunities that lie within failure. He points out:

- Failure teaches you more than success
- Failure makes you more mature and resilient
- Failure reminds you to be kinder to yourself and those around you
- Failure is a "badge of courage" because you dared to take the risk

Karen's topic was, "Organizational Failure—Failing Forward." She emphasized the opportunities for organizations that are willing to embrace failure as a mode within the innovation cycle. This cycle consists of five steps in a continuous improvement effort:

- Seek empathy
- Reframe the challenge
- Ideate
- Prototype
- Test and get feedback using the feedback grid: what we love, what we'd change, questions, and new ideas

My topic was the financial perspective on failing forward. In SmartOrg's work with many companies over the years, we've developed benchmarks to evaluate whether a given portfolio of innovation projects is likely to meet its owner's growth goals. We've found that most companies fall at either end of the probability distribution: whereas about 20% have a 90% or higher chance of meeting their growth goals, more than 40% have less than a 10% chance of meeting theirs. Both of these groups may be missing out on growth opportunities: the latter may be looking for growth in the wrong kind of projects, but the latter may be looking for sure bets and avoiding challenging projects that could win them breakthrough growth.

How does this kind of result happen? One major contributor is that financial caution conflicts with innovative vision. Finance wants predictability of results and efficiency in the use of resources. But innovation is driven by uncertainty and ambiguity. Innovation is doing new things in a new way, and that steps out of the realm of the familiar and predictable, "the way we've always done it around here".

In order to do new things that can open up new opportunities for growth, the organization—Finance included—has to learn to embrace uncertainty. Fortunately, there are a number of tools and techniques that innovative organizations can use to look beyond the business case to the uncertainty within the business case.

“Success consists of going from failure to failure without loss of enthusiasm.”

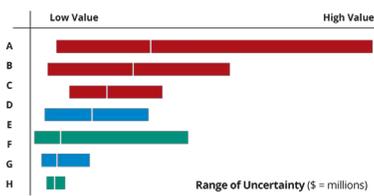
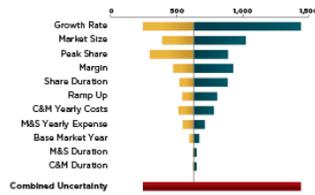
— Winston Churchill

“In the middle, everything looks like a failure.”

— Rosabeth Moss Kanter

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Within a single project, one can map the different factors that contribute to the uncertainty of the project's results using a **tornado chart**. Each factor has a greater or lesser impact on the result and its variability: the uncertainty range of each factor represents what we don't yet know about the future. Taken together, the overall uncertainty range of the project is the range of results one could get given one's present knowledge.



Comparing the commercial uncertainty ranges of a set of projects shows where the potential upside value lies. One can

see that the upside potential of some projects outweighs the combined potential of others. The lower-potential projects may be good projects, but it often makes sense to say “no” to those good projects to redirect their funding and resources to better ones.

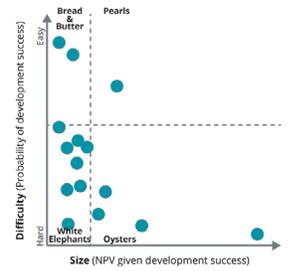
That only makes sense, however, if one creates solid upside exploitation plans. These plans need to answer two questions:

- What's the critical difference between the base case and the upside?
- What demonstration is required to prove that the upside is possible?

The second question yields a set of **proof points**. A proof point is an example that offers irrefutable evidence of the quality, importance or uniqueness of something. Proof points are *not* milestones, but rather yes/no questions that determine if the upside can be achieved.

Finally, it's crucial to understand how to balance risk and return in one's portfolio. Innovation projects are bets on the future, each with its unique payoff and odds of winning. A portfolio of risky projects with big upside

payoffs will often outperform a portfolio of smaller “sure bets,” because the few winners among the big, risky projects will cover the costs of the ones that don't succeed. This is where the idea of **Portfolio Power**—the chance of a portfolio achieving its growth goal—comes from.



You can see the replay of the Failing Forward webinar in its entirety [here](#).

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The fate of your innovation rests at the back end—the most critical part of the innovation process. This event is where serious innovators go to roll up their sleeves and get to work. Designed around interactions, we'll work together to solve the common challenges that face all innovators as we attempt to cross the business chasm and ensure flawless innovation execution, every time.

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