

Learning from failure, to succeed

Entrepreneurs thrive on experimentation to add value.



Introduction

Stories of success are addictive. And for good reason. It's encouraging to see entrepreneurs achieving their dreams. Most people like it when hard work pays off. But what about the brilliant, talented entrepreneurs who don't achieve instant success? Where are the stories of 90-hour weeks and countless meetings that result in moderate or even failed outcomes at best? While some don't like to talk about it, Korn Ferry Institute spoke with several industry veterans from the public and private sector who embrace failure as a means to success.

"My personal Key Performance Indicator includes experiencing a major failure at least once a year," said Eric Tachibana, Professional Services Area Practice Manager in Asia-Pacific for Amazon Web Services and a serial entrepreneur for two decades. "When we do things well—those things that we're good at—we tend not to fail. I fail when I stretch beyond what I know well. While I don't intend to repeat the same failures (of which I am successful about 70 percent of the time), I have achieved my KPI for the last 20 years."

Sopnendu Mohanty, Chief Fintech Officer for the Monetary Authority of Singapore (MAS), said: "In my own interview for the MAS job a few years ago, I was comfortable sharing my failures; innovation jobs are filled with failures from many of the experiments you have done along the way. I believe successes are well documented. But it's the failures that were more important to share, because the job I was about to take was all about experiments, failures, and how success is driven out of it." Mohanty added that he generally does not use the word "failure," but instead, "experiment."

Whether that's a cultural nuance or not, it's clear that these two executives—among others—from different perspectives in terms of sectors and job profiles concur about the value of failing to succeed. Getting the right leadership is key to overcoming barriers to successful innovation, which in fact became an impetus for this study.

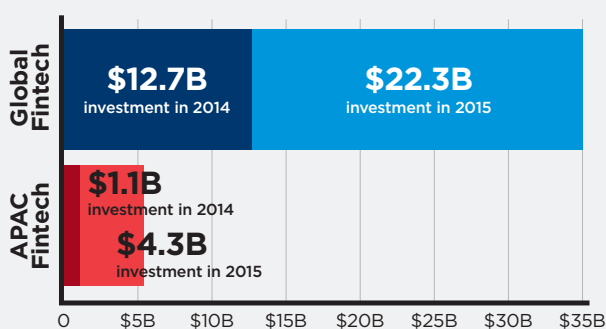
We conducted interviews with top executives in the public and private sector who have failed or who witnessed failure to understand what was implicit in the organizational structure that prevented those who failed from changing. How did the leadership evaluate and understand failure, and how did that enable change? How can hiring talent that comes from failed organizations add value to the business?

Disruptors and enablers

There is widespread consensus that startups in the financial sector rose from the ashes of the 2008 global financial crisis. As banks were forced to tighten their belts and access to money became more restricted, an opportunity emerged for startups that understood the inherent weaknesses in the financial sector and were able to pivot more quickly than banks with larger overhead operating expenses. Whereas the startups in Silicon Valley were more widely seen as disruptors, in Asia Pacific—where there was more resilience to the financial crisis—the startups were perceived as enablers. With good technology more plentiful in Silicon Valley and resilience more widespread in Asia Pacific, a good partnership was formed between West and East. It was, as Mohanty from MAS pointed out, a “blend of Silicon Valley and the eastern way of approaching innovation.”

Figure 1

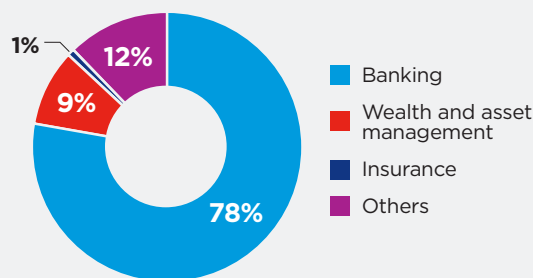
From 2014 to 2015, Fintech investment in Asia-Pacific increased 5x as much as did Fintech investment globally.



Source: *Fintech and the Evolving Landscape: Landing Points for the Industry* (Accenture, 2016)

Figure 2

Deal volume of Fintech investments in Asia Pacific.



Source: *Fintech and the Evolving Landscape: Landing Points for the Industry* (Accenture, 2016)

“Fintech is useless if you can’t get customers to adopt the technology. Digital is an opportunity to do more with less,” said Shailesh Grover, an industry veteran from Barclays who is now Digital Partner for Asia Pacific at Capco, a global management consultancy with a focus in financial services. “Banks haven’t done much. Basically, they have just moved all of their legacy content onto the mobile and online platforms.”

Mohanty says that MAS has the regulatory tools to facilitate experiments by financial institutions. “We recognize that failure is often a feature of such experiments, and the purpose of the regulatory sandbox is to provide appropriate safeguards to contain the consequences of failure on the financial system rather than to prevent failure altogether. This can help to reduce regulatory friction and provide a supportive environment for safe fintech experiments,” he added.

At Bosch Software Innovation, a project's outcome is not necessarily determined by whether or not it is successful, explained Thomas Jakob, Regional President Asia Pacific of Bosch Software Innovations. About 3,500 employees are trained by Bosch to work on IT-related innovative projects, specifically the Internet of Things (IoT). Limited seed funding is initially available for each project, with the expectation that criteria will be laid out to determine if there is a market for the idea. If there is little to no traction for the idea, which can generally be determined after two to six months of testing, the idea is abandoned. With approximately 390,000 employees worldwide, the "fail quickly" mentality is not yet embedded in the DNA of the entire company, especially in Bosch's more traditional sectors with longer life cycles like automotive. But the Software Innovations team of 750 people functions in part more like an incubator with a higher number of millennial employees who are more flexible in accepting and embracing work on projects that may fail. As expected, a sizeable portion of the more than 500 IoT projects undertaken to date has not moved beyond the initial Proof-of-Concept (PoC) stage as the ideas did not prove to be sufficiently viable from a commercial and/or technical perspective. But Bosch is committed to experimentation from its top leadership. Bosch CEO Volkmar Denner is a huge proponent of agile development and IoT. A couple hundred million dollars are set aside at Bosch annually for experimental projects.

Experimentation is increasingly built into the journey of policymaking. Said Mohanty: "Today you can come to the MAS to do a proof of concept, and you can talk about success and likely failure." He mentioned that MAS established a grant fund of SGD225 million (approximately \$165 million USD) to encourage and support such initiatives. "We have created access to risk capital for people, industry, and startups who are willing to experiment, try new ideas, and try new thinking to shape our future policy. That's how our culture of 'fail fast, move fast, execute fast' has evolved."

Ideation streams to gather great ideas from the field don't generally work in large companies because when innovation is viewed as special or different, that sets it up for failure. "Innovation is not special, it is day to day," said Amazon's Tachibana. "When you think about innovation such as labs and hackathons outside of day to day, when you get busy with 'business as usual,' innovation will be the first thing you put on pause, and when you put innovation on pause, it won't work."

Tachibana also pointed out that promoting innovation in this manner fosters an environment where you have 'special' people, and that leaves all but two percent of the staff marginalized. As a result, the 98 percent think they don't innovate and don't have to change the way they work. That sets up a weird cultural paradigm within the organization. At the same time, financial services in particular face special risks if they change the overall culture—the attitude of innovation and experimentation needs to be carefully focused so that people do not start taking excessive financial risks.

Finding the right talent

Outside of the key markets, it can be difficult to find talent if you want to launch a startup, the experts agreed. Larger firms are doing their best to stay in the game by sucking talent away from the startups.

There are two special challenges for fintech, and both involve combining almost opposite sets of characteristics. Technology startups are inherently focused on nimbleness, experimentation, and rapid change. Financial services are, or should be, inherently focused on mitigating risk, predictability and stability, and regulatory compliance. Startups need to combine deep understanding of technology and its potential to deliver services differently with an equally deep understanding of the banking/financial services sector in all its complexity, including regulatory and capital requirements, the need to achieve significant scale, and integration of a range of disparate services. This is especially the case when moving beyond initial offerings of consumer payments and into lending and more complex transactions. Established financial services businesses need to find ways to incorporate an appetite for innovation, experimentation, and risk in their delivery channels without changing their attitudes and practices toward financial risk.

These dual requirements suggest a need for “t-shaped” talent, said Bosch’s Jakob, referring to those who combine breadth of business understanding with depth of technical expertise. Even outside of finance, those are a rare breed. “Software developers and business development specialists are not that hard to find, but people who combine these capabilities and can lead a product team, while at the same time connecting the dots across the organization, are not easy to find,” added Jakob.

“It’s much easier to operate in the corporate world than in the startup environment,” pointed out Roger Crook, CEO of Capital Springboard. Crook has straddled both sides of the fence between corporates and startups. He was previously Global CEO of DHL and a management board member of Deutschpost DHL. “In a corporate environment, you’re very protected. There is a safety net to always fall back on. In a startup, you’re completely exposed and it’s easier to fail if you can’t think on your feet. You have to be able to change directions and adapt very quickly in a startup. Creating continuous improvement and showing a willingness to fix any problems on the spot, basically overnight, is critical,” added Crook.

Crook has hired people who have failed, and suggests that as you mature you accept failure more easily. But Crook does not think that organizations today take advantage of people’s failures as an experience. “I have hired people who have failed and have learned from their failure. They’re probably better people than they were, before their failures. They definitely have more experience and will try to avoid failing in the same way again,” Crook said.

“If you only have one failure, you don’t have much,” said Capco’s Grover. Attitude is the key, he said. Grover asks interviewees about how they dealt with failure and what steps they have taken to keep the same failure from recurring. When Grover started with Barclays in 2007, failure was not part of the culture, he said. That only began to change with the emergence of agile development at Barclays in 2008. The resilient, innovation-supporting attitude is based partly on the person’s characteristics and partly on the response of the organization to failure. If failure is met with

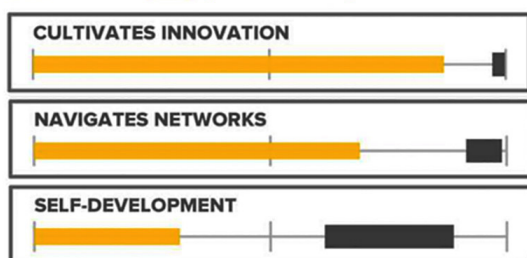
recrimination or punishment, not only the people directly involved but also others in the organization will be likely to play it safe for a long while. If failure is met with a matter-of-fact, problem-solving approach, then more experimentation is likely to follow.

Bosch's Jakob added that established HR procedures such as performance management in an organization like Bosch have to be adapted to support agile development and innovation—moving from predefined goals and measures to a more frequent and more reflective look at the process and progress, engaging teams as well as individuals. “Traditional measurements against prescribed targets for the next 12 months don’t work,” Jakob said.

Hiring people who have demonstrated they can shoot for the moon, fail, and get back in the game is key for Amazon's Tachibana. This is the quality of resilience. “If you can show those qualities, it won’t matter. You’re likely to succeed,” he said. Tachibana looks for talent who are excited about failure, but he doesn’t want to hear about failures that don’t seem authentic. True failure, he points out, is a strong predictor of a person’s ability to pivot with the business, deal with the unexpected, and survive. Actually, it is not the failure itself that is predictive but rather the ability to persist in a creative and effective way and the willingness to think and talk about that experience in a constructive way.

Korn Ferry Institute’s data on most sought-after¹ entrepreneurs shows they score significantly higher on three competencies: *cultivates innovation*, *navigates networks*, and *self-development*, than do most sought-after executives in other functions and roles.²

■ **Most sought-after entrepreneurs**
 ■ **Most sought-after other executives**



Cultivates innovation is an obvious necessity for entrepreneurs and other innovators. An important aspect of this competency is that the leaders do not need to be super innovative themselves; they need to create an environment for many people to be innovative and to encourage and develop innovation in others. The day when innovation was the product of the lonely genius is past; the most useful innovations in business are more often group efforts.

Entrepreneurs *navigate networks* for a multitude of purposes: to scope out the market and its upcoming needs, to understand the competition, and to find and assess potential partners. The ability to understand the details of the business and market landscape is one of the keys to success for entrepreneurs, and they use their networks as a source of timely information.

Self-development is a less obvious characteristic of entrepreneurs. However, an entrepreneur is likely to need to stretch him- or herself in various ways, in order to meet the changing needs of the new business. This attitude of self-development, actively seeking new ways to grow and be challenged, is consistent with their exploratory and learning approach to the business: Entrepreneurs see themselves as well as their businesses as works in progress, always searching for ways to improve.

■ **Most sought-after entrepreneurs**
 ■ **Typical entrepreneurs**

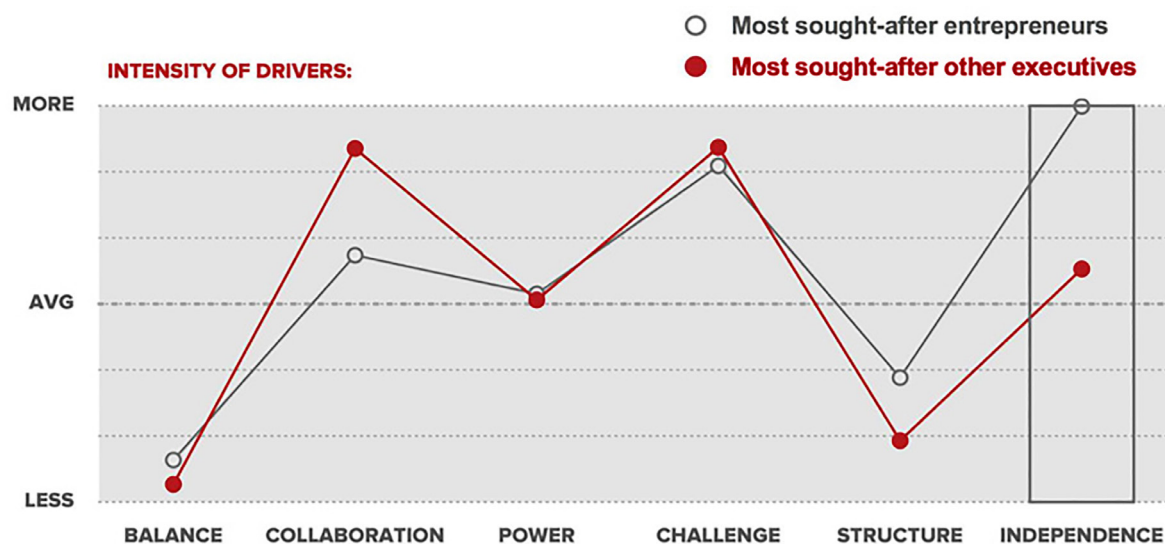


Compared to typical entrepreneurs, the most sought-after individuals score a bit higher on many competencies and are significantly stronger in *courage* and in *engages and inspires*. *Courage* is the ability to tackle tough challenges with optimism and confidence, to champion an idea despite dissent or risk. There is obvious value to courage in entrepreneurial endeavors, both directly as a part of bringing other people along with you and enabling them to do their best (*engages and inspires*).

¹ The Best-in-Class (BIC) measure is a proprietary multi-dimensional measure including individual-level and organizational-level metrics. “Most sought-after” is defined as the 84th percentile on the BIC measure, whereas “typical” is defined as the 50th percentile.

² See the Appendix for definitions of the competencies, drivers, and traits that distinguish most sought-after entrepreneurs from other most sought-after executives, and from typical entrepreneurs.

Looking a bit deeper at their personalities, entrepreneurs, both the most sought-after and the more typical, are significantly more driven by *independence* than are other top executives.



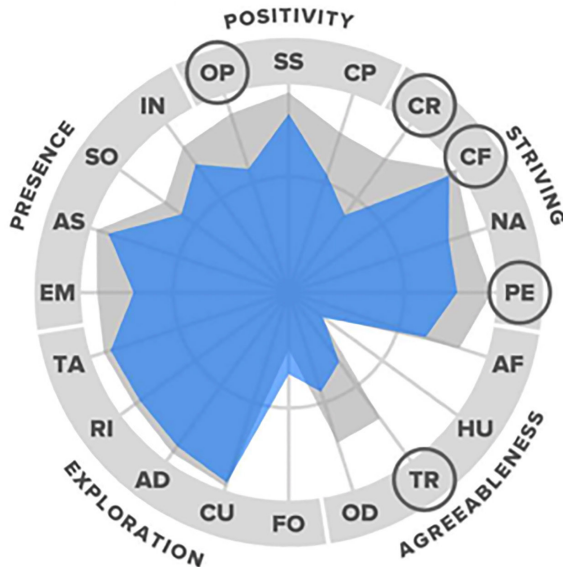
It is not surprising that entrepreneurs, and innovators generally, share a strong need for *independence*, or the opportunity to do things that go outside the normal ways of doing business. This is, in a way, the essence and the definition of entrepreneurship and of innovation. Entrepreneurs and innovators are often impatient with the bureaucratic constraints, and want more flexibility in their organizations, or else they may leave and start their own organizations.

Although the differences in collaboration are not statistically different, there is a qualitative nuance to entrepreneurial collaboration. When entrepreneurs collaborate, it is for the sake of the project or idea, not because of intrinsic desire. They will choose colleagues primarily on the basis of “who has the skills or resources I need?” rather than on the basis of likability or prestige. They collaborate in order to get the information or resources or ideas that their project needs.

Although all entrepreneurs report that they are driven by the same motives, the most sought-after show significantly different personality traits, such as more *optimism (OP)*, *credibility (CR)*, *confidence (CF)*, *persistence (PE)*, and *trust (TR)*.

PERSONALITY PROFILE:

- ◆ Most sought-after entrepreneurs
- ◆ Typical entrepreneurs



Part of *optimism* is the ability to move beyond past failures, which is an obvious component of success in entrepreneurship. Optimism can be supported or hindered by the organization's response to failures or challenges.

Traits related to effort distinguish the best entrepreneurs. Most entrepreneurs are highly *confident*. The most sought-after are even more so. *Persistence* in pursuit of difficult challenges is probably related to optimism and confidence. Most entrepreneurial endeavors take a while and encounter obstacles where persistence is needed. *Credibility* is defined as consistency between words and actions, following through on commitments. A particular challenge for entrepreneurs is to not let their enthusiasm lead them into overpromising. There is a fine line between enthusiasm and persistence, and overpromising. Those who manage this balance earn the trust and support of others; those who do not, lose it. Organizations can have an impact. Managers can help people set attainable goals—or they can push for more than can realistically be attained. Finally, a lack of reasonable amount of *trust* in others may hinder entrepreneurs; they need to *navigate networks* and to collaborate with others in order to bring the projects to fruition, and a serious lack of trust is likely to get in their way.

Articulating failure

It is also hard to find candidates who understand how to articulate failure. Those who have experienced and can articulate failure generally succeed. But as Mohanty pointed out, “I can train people to some extent on the cultural mindset of working in Asia Pacific if they are not native to it, but it’s extremely difficult to articulate failure to someone who has never been through it.”

Failure as a concept has many connotations, so despite the fact that the executives we spoke to embrace it, great care is used with it because it can mean many things that can cause more harm than good.

“Failure can be an uncomfortable word,” said Heather Carroll Cox, Chief Technology and Digital Officer for USAA. “It is not about failing, what really matters are the discoveries and learnings that you derive when you do not get something right. This has led USAA to shift from focusing on how we failed, to instead focusing on testing and learning with speed—enabling us to better understand our members’ behaviors and expectations. Releasing a less than perfect product into the market and iterating from there is okay as long as we are moving quickly and listening to what our members really want or need.”

There are certain elements of failure that no one wants to have, and other instances that are tolerated because it helps to improve the journey, added Mohanty. “How I distinguish between these two types of failures is always going to be a policymaker’s challenge,” he said. It is also a challenge for leaders to provide clarity to their teams on the kinds of innovations that are desired and the associated types of failure that are necessary, as compared to the types of failure that are simply careless and not to be tolerated.

When Mohanty arrived at the MAS, he was tasked with building a team that had a healthy mix of talents—individuals who were innovative and and interested in experimentation—but it took time to develop the right balance.

“When a candidate is brought to me for the final interview, the discussion that I must have with them is about failure,” said Mohanty.

Candidates are asked by Mohanty to explain their failures, to share an example or two about a project where they acknowledge that things went wrong, and what they learned from it. Empathy and transparency are two of the key themes that pique Mohanty’s interest.

The new workforce

Working in the digital age involves teams that break through traditional hierarchies, teams that bring together people with different educational backgrounds and experience, so that they focus on the business, not on their specific specialty. What will mark them is a more entrepreneurial spirit, where there is no fear of failure. As Bosch's Jakob pointed out: "You should have the confidence to start something without knowing exactly how it will turn out. In fact, the result will often be influenced by factors beyond your control, such as the development of the overall market, or customer engagement."

The mix of skills in teams is also changing, with a stronger emphasis on breadth and depth. To help companies adapt to whatever comes next and make change a part of the corporate DNA, some organizations are creating new roles for transformation champions.

Extending workforce skills

What skills will your people need in the digital era? They will have their existing specialties and strengths. They do not need to change these or unlearn the old ways of doing things. After all, these were the skills and methods that made the organization successful. But what they should abandon is the old way of thinking that they are responsible for one particular thing, which they will continue doing for the next 20 years. To succeed in the future, everyone needs to keep learning and be open to new things, to fail quickly, to share failures, and to embrace the journey.

Appendix

Key competencies, drivers, and traits for entrepreneurs.

Competencies	
Name	Definition
Cultivates innovation	Creating new and better ways for the organization to be successful.
Navigates networks	Effectively building formal and informal relationship networks inside and outside the organization.
Self-development	Actively seeking new ways to grow and be challenged, using both formal and informal developmental channels.
Courage	Stepping up to address difficult issues; saying what needs to be said.
Engages and inspires	Creating a climate where people are motivated to do their best to help the organization achieve its objectives.
Drivers	
Name	Definition
Independence	The degree to which an individual prefers independence and an entrepreneurial approach to work activities. High scorers prefer freedom from organizational constraints and to set and pursue their own vision, and value employability more than job security. Low scorers prefer pursuing group-defined goals and structured organizations, and identify strongly with a particular organization and its collective vision.
Collaboration	The degree to which individuals prefer work-related interdependence, group decision-making, and group-based goal setting and pursuit. High scorers prefer to be part of teams, build consensus, share responsibility, and rely on social behavior for work-related success. Low scorers prefer work characterized by limited reliance on social behavior; independence; and being primarily responsible for his/her own work and decisions.
Traits	
Name	Definition
Optimism	The degree to which people are comfortable with themselves and positive about life. High scorers tend to disregard disappointment, are positive, and rarely worry about past failures. Low scorers may be relatively dissatisfied with their lives, have low expectations for the future, and may spend more time thinking about past failures than successes.
Credibility	The degree of consistency between a person's words and actions. High scorers mean what they say, protect confidences, and can be counted on to follow through on their commitments. Low scorers may have difficulty matching their actions with their talk, and inconsistently meet commitments.
Persistence	A tendency toward passionate and steadfast pursuit of personally valued long term or lifetime goals, in spite of obstacles, discouragement, or distraction. High scorers are seen to push through obstacles and not give up on difficult tasks. Low scorers are more likely to pull back from obstacles or lower expectations for their own attainment.
Confidence	The degree to which people are convinced that they control the course of events in their lives. High scorers believe that many events and outcomes are within their control and are certain that their future is in their hands. Low scorers believe that fate, luck, or external forces are more important in determining their future.
Trust	An expectation of honesty and forthrightness on the part of oneself and others. High scorers tend to give others the benefit of the doubt and interact with people in an honest and straightforward fashion. Low scorers may be less willing to rely on the words and actions of others and tend to approach people with greater skepticism or suspicion.

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