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RISK INTELLIGENCE

## Seeking Initiative and Innovation? Reward Failure!

by  
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*Based on Proprietary Research*

*“If you want to increase initiative and innovation, you have to encourage and embrace failure. A culture that punishes less-than-ideal risk-related outcomes will stifle both initiative and innovation”.*

Prevailing in the face of intense competition requires companies to be nimble and innovative.

An innovative and high-initiative culture helps an organization respond better to market signals and changes in the competitive environment. It can better exploit opportunities, get new products and services to market more quickly and more often capture first-mover advantage.

I have conducted proprietary research recently that sheds light on how to increase innovation and initiative-taking in organizations.

### **The Situation**

I was retained by the research and development operation of one of the world's largest consumer products companies. They had acquired another consumer products company with some well known and highly regarded brands. The problem was that the acquired company had a risk averse culture in stark contrast to the acquiring company's more risk inclined culture.

The talented scientist and engineers in the R&D operation were a valued element of the acquisition. But the ingrained risk aversion within the R&D staff was resulting in insufficient innovation.

My task was to help these high value team members expand their comfort zone and become more risk inclined.

### **The Research**

Prior to the time spent on-site at the research labs, I conducted an anonymous on-line survey for the R&D staff. The survey addressed the following questions.

1. Organizational Culture – How, if at all, has the risk culture changed in your organization in the last few years?
2. Risk Hesitancy – What is your primary source of hesitation when it comes to taking work-related risks?
3. Risk Catalysts – What would make you more comfortable taking thoughtful, well-considered work-related risks?

Forty four people responded to the survey. The results yielded some fascinating insights.

### **Survey Result Highlights**

#### **Risk Hesitancy - What is your primary source of hesitation when it comes to taking work-related risks?**

- The Implications of Failure – 59%
- Lack of Permission, Leadership, Support or Organizational Capability – 14%
- I Have No Hesitancy – 5%

#### **Risk Catalysts - What would make you more comfortable taking thoughtful, well-considered work-related risks?**

- Less-than-ideal outcomes being commended and not having a negative effect on career. – 49%
- Leadership Direction and Support – 31%
- Already Comfortable Taking Such Risks – 8%

Note: Responses have been grouped by category. Respondents were provided an open ended essay format for their responses with no suggested answers provided.

## Perceived Condition

The great majority (61%) of those responding said they were being encouraged to take more risks. The balance, in pretty much equal proportions, said there had been no significant change in the last few years (21%) or they were being encouraged to take fewer risks (18%).

Clearly, the leadership of the organization had sent the message that more risks needed to be taken.

## Risk Hesitancy

When asked about their primary source of hesitation in taking work-related risks, almost six in ten (59%) said the implications of failure.

The second most common response was provided by only 14% and centered on risk hesitancy attributed to a perceived lack of permission, leadership, support or organizational capability.

Five percent said they had no risk hesitancy. The balance of the responses fell into many categories but focused on time and resource constraints.

## Risk Catalysts

When asked what would make them more comfortable taking thoughtful, well-considered work-related risks, fully eight in ten said either assurances that less-than-ideal outcomes would not negatively impact their regard or career (49%) or clear direction and support from leadership to take risks (31%).

Eight percent reported that they were already comfortable taking risks. As with risk hesitancy, the balance of the responses fell into a variety of categories but again focused on time and resource constraints.

## Insights

The message of the respondents is clear. The survey data shows that they were calling out for permission to take risks and a clear understanding that unsuccessful risks would not hamper their opportunities, regard or advancement.

The clear conclusion is that people who take thoughtful, well-considered risks have to be lauded, regardless of the outcome of the risk.

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## Action Steps

Increasing initiative and innovation requires five simple steps.

### Action Steps

1. Clearly communicate the risk profile you are asking your people to adopt and why it is important to the organization's success.
2. Never allow an unsuccessful risk to hamper a team member's opportunities and advancement.
3. Establish a high-profile award program that rewards BOTH risks that pay-off and well-considered risks that do not. Awards need to be announced simultaneously and rewarded similarly.
4. Establish a formal non-critical process for gleaning the lessons from unsuccessful risks. Communicate the lessons.
5. Provide your people with situation-specific risk assessment tools to help them make better risk-related decisions.

## "A Culture of Screw-Ups"

Increasing the level of effective risk-taking, initiative and innovation in an organization is not a short-term process. Risk inclination and risk tolerance are core elements of an organization's culture. It is part of what defines the organization. But it can be gradually changed by implementing the steps above, being consistent in emphasizing the importance to the organization of taking thoughtful risks and rewarding initiative and innovation.

If you are questioning the value of a culture that encourages risk-taking as a path to success, consider this statement by Scott Bedbury who was head of advertising at Nike for seven years in the 1990s. He says the key to Nike's success is its willingness to embrace "a culture of screw-ups. It really does learn from its mistakes." An insightful comment about Nike – one of the most successful and innovative companies of our time.

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Jim McCormick is the Founder and President of the Research Institute for Risk Intelligence. His books include *Business Lessons from the Edge* (McGraw-Hill), *The Power of Risk* (Maxwell Press) and *The First-Time Manager* (AMACOM). More information is available at [www.JimMcCormick.com](http://www.JimMcCormick.com).

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