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# Why Innovation Fails

## Why Innovation Fails

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November 12, 2012

**In an age of unanswerable questions, asking the right question might just be the answer.**

Innovation is a key component of any enterprise, but failure is an intrinsic, inevitable part of the process. Most products fail, most mergers and acquisitions fail, most projects fail and most startup ventures fail. All the innovation, entrepreneurial drive and creativity won't keep your company afloat if it lacks a structure and operating blueprint that can guide its ongoing success and conquer all changes and challenges. The laundry list of companies failing despite innovative, new business models seems almost limitless:

- **Blockbuster's blunder.** Founded as a single store in Dallas in 1985, Blockbuster quickly became a household name and withstood the historic transition from VHS to DVD. But its failure to adapt fast enough as soon as Netflix and smaller rivals started mailing videos and selling videos-on-demand turned Blockbuster's once ubiquitous storefronts into dinosaurs. The chain had no choice but to shutter hundreds of stores, work off debt and follow, instead of lead, the evolving market. Following a failed bid by South Korean telecommunications company SK Telecom, Dish Network stepped in with lofty turnaround talk, but eventually ditched its doomed plans to transform Blockbuster into a worthy Netflix adversary.
- **Sony's slide.** The original Walkman was marketed in Japan in 1979, and became a necessary accessory in American during the '80s, when it was as iconic as today's Apple must-haves: iPods, iPads and iPhones. Sony ruled the market for consumer electronics such as TVs, cameras and video recorders, but its transformation into a

colossal conglomerate with film and music divisions led to a lag in leadership in many of its core product lines. As Sony and some rivals shifted from hardware to software, more nimble competitors like LG, Samsung, Vizio, and Apple quickly outpaced Sony's old-school and now obsolete innovations.

- **Sun Microsystems' meltdown.** Founded in 1982, Sun sizzled as a Silicon Valley sweetheart and thrived with the creation of cutting edge computer servers and workstations built on its proprietary RISC-based SPARC processor architecture and a suite of savvy software products. Sun's Java programming language, introduced in the mid 1990s, was an industry standard that propelled the company to market leader. But the dot-com blow-up blew away customers and changed the way companies meet their technology needs. The proliferation of powerful PCs purged demand for Sun's pricy servers, and the company was forced to downsize and sell to Oracle in January 2010 for a paltry \$7.4 billion.

Such flops by the best and brightest in their industry begs the question: How can avoid a similar fate? A single query will not suffice. Peter F. Drucker, the father of modern management, began with basics, asking every board: "What needs to be done?"; "Why are we here?" and "How can we do things better?" Drucker is forever famous for posing five simple questions that combat complex challenges.

- What is the mission?
- Who is the customer?
- What does the customer value?
- What are our results?
- What is our plan?

Let's adapt them without too much fanfare:

1. Does the customer really need what you're offering? How do you know?
2. Can your partners supply what you need in a cost-effective way?
3. Is your organization prepared to make the offering? Are your technology and business teams working together on the plan?
4. Can competitors meet the customer's need in a simpler, cheaper way? Are you tracking them?
5. What can go wrong? Is every voice in your organization being heard, including those you may not want to hear?

### **Attitude Adjustment**

The first step in becoming innovative is an attitude--accepting that the world really has changed and will continue to change, sometimes because of unexpected and unprecedented events. It requires learning to see the world in new ways.

Changing the way we do business requires imagination and creativity. An innovative organization is run by, recruits and employs people who can see all new opportunities and threats and are willing to accept and respond to every event, experience or action.

Sounds simple, but if you doubt that smart, successful leaders and big, thriving corporations can fail to realize what is going on--are unable to sense and respond beyond the familiar--pick up a copy of Sydney Finkelstein's *Why Smart Executives Fail* [2]. For six years the Dartmouth professor studied 51 companies in depth and interviewed 197 executives about failure. His ground-breaking discoveries include:

- **Most of the failures occurred during major business passages** such as creating new ventures, dealing with innovation and change, managing mergers and acquisitions, and addressing new competitive pressures.
- **The failures were caused by four patterns of behavior:** flawed executive mindsets that throw off a company's perception of reality; delusional attitudes that keep this inaccurate reality in place; breakdowns in communications systems developed to handle potentially urgent information; and leadership qualities that keep a company's executives from correcting their course.

This gets personal, doesn't it? We are only going to experience more major business passages, and they are fired in rapid and constant succession. The environment requires us to have clear, open minds.

### **Mindset Matters**

How we go about building an innovative organization ought to be unique. But for every organization, it starts with the right mindset--the unexpected must be expected. Who would have thought that sleek smartphones would replace bulky cameras and music players?

This mindset must start at the top of the organization and permeate every level. The leader must set the example.

Here's what people might be thinking in a non-innovative environment:

- The last big product launch failed, and several people are no longer around.
- Our company is too large to waste time on small ideas.
- We want new ideas, but I'm paid to make my numbers on existing business.
- I can't remember manufacturing and marketing ever talking about anything.
- We're doing fine; let's let our existing line peak before we try something new.
- People are going to get cynical about all these change initiatives.
- The last time I made a suggestion, I got my head handed to me on a platter.

The innovation that will open up the next opportunity for each of us probably lies just beyond the boundary of what you and your colleagues think you know.

Equally true, the next big threat to your success probably lies just beyond the boundary of what we think we know.

### **Cultivating Culture**

Culture of innovation is the drive to the formal, established rules of doing business. An understanding of and commitment to the organization's mission will guide employees when confronted by the unexpected for which no rules exist.

Here are the top six cultural reasons for innovation failure:

1. Not having a formal innovation management **framework and systems**
2. Not tying initiatives to overall company **strategy**
3. Not allocating **cross-disciplinary resources**
4. Not getting buy-in and **ownership** from cross-functional teams
5. Not creating intelligence driven **options and scenarios**

## 6. Not deploying **measurement criteria and metrics**

In his classic book, *Innovation and Entrepreneurship* [3], Drucker describes innovation as a delicate dance between perception and analysis. Analysis, with all its discipline, must be based on a perception of change: “This requires a willingness to say, I don’t actually know enough to analyze, but I shall find out. I’ll go out, look around, ask questions, and *listen*.”

In an age of unanswerable questions, asking the right question might just be the answer.

*Faisal Hoque* [4] is founder, chairman, and CEO at *BTM Corporation* [5] and founder of research think-tank *BTM Institute* [6]. His newest book is *The Power of Convergence* [7]. © 2012 Faisal Hoque. Follow him on Twitter [@faisal\\_hoque](#) [8].

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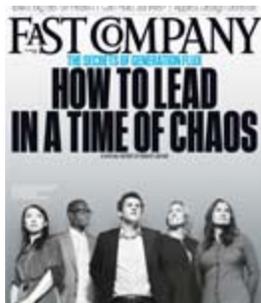


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