

# Advanced Guide

# How to Take Better Risks During Innovation



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## Introduction

### Innovators Take Smart Risks. Not Stupid Risks.

“Innovation is all about taking a risk” is a phrase used often, but rarely acted upon or understood. Risk-taking flies straight in the face of an organization’s natural inclination to play it safe. The most common result is that organizations take very few chances and innovation suffers. Managers in charge of innovation efforts have a real challenge when it comes to building a climate that is comfortable with risk—everyone talks about it, but how exactly do you do it? The good news is that you can learn from today’s leading innovators. They all take smart, not stupid, risks.

#### **Find a level of risk that’s acceptable.**

The best innovators have a clear understanding of their appetite for risk and draw clear boundaries for people to follow. Within these limits, they unleash innovation because everyone knows they’re playing in a safe zone. When companies begin working within these parameters, risk-taking becomes more accessible and palatable. The key is to define the level of risk that’s appropriate for your business.

#### **Convert “risk” into “experimentation.”**

While risk-taking is seen as negative, the best companies focus on the positive by instead talking about “experimentation.” This encourages a corporate climate where people aren’t afraid to fail.

#### **Look at how you take risks.**

This might sound contrarian, but it doesn’t matter if the level of acceptable risk is high or low. What’s critical is how teams are allowed to function within those boundaries. Innovative companies have bold, paradigm-shifting projects, but they approach them with milestones and metrics in mind. For them, innovation is about the means (how teams function) as well as the end.

#### **What This Guide Will Do for You:**

- Discover real-life examples of how leading innovators take better risks as they innovate.
- Assess the appetite for risk in your company with a customizable tool. (See attached: tool\_appetiteforrisk.doc)
- Offer practical advice on how to enhance smart risk-taking in your organization.
- Enlighten you with common mistakes managers make so you can avoid them.
- Provide hard and soft metrics to know if you’re being effective.
- Lay out a suggested roadmap to help you move forward.



**Taking better risks is about clearly setting boundaries and then letting teams color within those lines.**



## PART ONE

### Learn from Leading Innovators

Companies like Amazon, Google, and 3M are more than inspiring—they provide valuable insights that can be used in your organization. This section of the guide focuses on real-life examples of how these companies take smart risks to spur innovation.

What will you learn from these case studies? For one, you'll see how these companies are fully aware of their comfort zones and don't take unnecessary chances. They're also extremely intelligent about how they get teams to function within their risk-tolerances.



## Role Models

### How Do Leading Innovators Take Smart Risks?

Leading innovators take risks that are based on common sense and are appropriate for the scale of their business. See how they all take smart risks, and discover what your organization can learn from them.

## GOOGLE

#### **Experiment, but don't distract.**

Employees are encouraged to spend 20 percent of their time on pet projects called "Googlettes." This encourages experimentation but doesn't take employees away from their day jobs.

#### **Small teams, small timelines.**

Teams are deliberately kept small and have quick deadlines. Three to four engineers work in a team, and have timelines of three to four months. If the idea they're working on doesn't prove to have legs in that timeframe, teams are disbanded. Teams are expanded only if ideas have demonstrable potential.

#### **Dedicate a certain amount of resources towards high-risk projects.**

Google has a futuristic lab called "Google X" where they allocate resources towards futuristic and potentially game-changing products such as self-driving cars. Taking big bets on these types of projects creates the opportunity to come up with radical innovations that could transform and direct the future.

#### **Defining "good failures."**

Google defines good failures as those that fail fast and those that help the company understand why it's failed so it can apply learnings to the next project.

## TESLA

#### **Hire risk-takers.**

When hiring new staff, Tesla looks for people who think of "ways to improve the status quo" and are "excited by challenge." Hiring risk-takers helps the company come up with breakthrough innovations.

#### **Keep teams nimble and small.**

At Tesla, by keeping teams small, they maintain an entrepreneurial mindset with a higher tolerance towards risk than larger, older firms in the automotive industry.

#### **Total ownership for faster decision-making.**

Tesla's fast-paced team culture empowers individuals to make decisions so ideas are not encumbered by approval systems.



## Role Models *(continued)*

### How Do Leading Innovators Take Smart Risks?

#### AMAZON

**Focus on speed.**

Jeff Bezos' mantra on innovation is "Maximize invention per unit of time."

**Two-pizza teams.**

Innovation projects are conducted by small teams that Bezos calls "Two-pizza teams." Teams are no larger than six to seven people to maximize productivity and to prevent groupthink

**Low investments, rapid prototyping.**

Teams are encouraged to make lightweight investments and do quick build-and-development cycles. They're freed from many constraints and offered a high-change environment.

**Encourage exploration.**

Jeff Bezos encourages an "explorer mentality" rather than a "conqueror mentality" in his teams so that their focus is on forging new paths rather than the limited view of just doing better than their competitors. This mentality encourages risk and disruptive ideas.

#### PERNOD RICARD

**Create a group for experimentation.**

The "Breakthrough Innovation Group" is a division of Pernod Ricard that experiments with new ideas. The group has a similar spirit to a Silicon Valley start-up, which brings an entrepreneurial mindset into the large company.

**Pilot test.**

Small-scale market testing is encouraged at Pernod Ricard. This type of risk-taking allows for the viability of new products to be tested, giving confidence for successful pilots to launch.

**Leadership encouraging failure.**

In French culture, risk-taking and failure is not as easily embraced as other cultures. Leaders reinforce that innovation is also about allowing for smart-failures, as well as successes.

#### 3M

**Assigned time for pet projects.**

Employees at 3M are told that 15 percent of their time can be spent on any project they like—called "dabble time." Managers are sometimes given more. This gives employees the freedom to come up with new ideas, but it also means that they have to spend 85 percent of their time on their day jobs.

**Failure forums.**

3M holds formalized meetings called "Failure Forums," where teams who have failed at a project talk to others about how and why they failed.



## Role Models *(continued)*

### How Do Leading Innovators Take Smart Risks?

#### DARPA

##### Small, lean teams.

The Defense Advanced Research Projects Agency is an agency of the United States Department of Defense. It is a lean organization with only two management layers, which enables them to move ideas and decisions with speed — “Urgency inspires greater genius.” They have a small team of only 140 technical personnel to keep agile and flexible, empowering individuals with the freedom to take risks.

##### Cross-pollination of ideas.

Employees are encouraged to work across disciplines and to exchange ideas freely and cooperatively. The freedom to explore ideas instills courage and confidence in their staff, nurturing an innovative and risk-taking culture at DARPA.

##### Eliminating the fear of failure.

Leaders at DARPA believe that “We cannot fear failure and create new and amazing things.” DARPA has a culture of iteration, allowing for technical failure if the payoff from success will be great enough.

#### NOVARTIS

##### Simple ways of assessing smart risks.

Pharmaceutical companies know that the failure rate of developed drugs is about 90 percent. It doesn't stop them from taking risks. Novartis uses a simple matrix to assess whether the company's willing to invest in a particular drug. Only ideas that fall into the upper-right quadrant are funded.





## Role Models *(continued)*

### How Do Leading Innovators Take Smart Risks?

#### SHELL

**Corporate venturing.**

Shell has a venturing arm to fund innovations called GameChanger. Visit [www.shell.com/gamechanger](http://www.shell.com/gamechanger) to learn more.

**Skin in the game.**

Promising ideas at GameChanger receive up to \$600,000 for further exploration. Ideas can come from both inside and outside of the company, recognizing that great ideas come from all different sources.

**Quick decision-making.**

Shell puts emphasis on fast decision-making in the GameChangers process. After each presentation, Shell communicates the decision to the entrepreneur within 48 hours.

#### TOYOTA

**The Prius challenge.**

The launch of the Prius showcases Toyota's method of taking smart risks. In the early 1990s, Toyota was certain that fuel-efficient vehicles were going to be the future of the automotive industry. It also knew that being first-to-market was critical to success. It embarked on a rollercoaster ride that led to the launch of the Prius later that decade.

**Blank slate.**

Toyota HQ set one goal: to achieve fuel efficiency of 47.5 miles per gallon (50 percent more than the Toyota Corolla was getting at the time). Beyond this goal, the Prius team was given freedom to develop the car however they saw fit.

**A new way to isolate teams.**

Toyota decided that its traditional way of doing things would detract rather than inspire. For this reason, it kept the Prius team out of the consensus-building culture. It set targets and strictly enforced deadlines—something Toyota didn't usually do with its engineering teams.

**Rapid deadlines.**

Halfway through the prototyping process, Toyota senior executives decided to increase the heat on the Prius team. They set a manufacturing timeline of just 24 months. This is about two-thirds the time that an automaker typically takes with conventional vehicles.

**Don't hide mistakes.**

The Prius story is full of roadblocks, errors, and problems. Toyota ensured that it was open about them and learned from them to make a better product. Some of these missteps included:

- Software and electrical problems that kept the car stationary.
- The batteries would shut down if the car became too hot or too cold.
- A test with potential buyers indicated the brakes were ineffective, the interior looked cheap, and the rear seats wouldn't fold down.



## Smart vs. Stupid Risks

### What Kind of Risk Is Your Company Taking?

Use the table below to see how often your organization has taken smart or stupid risks.

SMART RISKS...	STUPID RISKS...
Don't cripple your business.	Distract you from what you do best.
Involve small, autonomous, and resourceful teams.	Suck in large teams that take people away from their day jobs.
Ensure that failures happen quickly and are not repeated.	Don't recognize failures. Failures are repeatedly committed (primarily because teams don't know when to stop).
Involve rapid versioning—a quick cycle of prototyping, feedback, and refinement.	Involve traditional project development—long approval systems and extended timelines.
Ensure that projects have frequent checkpoints where progress is monitored and reviewed.	Either have infrequent checkpoints or unclear review parameters.
Motivate teams by placing them in a high-energy, high-performing environment.	Put fear in teams who tend to err on the side of caution.
Are openly communicated within the organization. There's a public admission of failures and the willingness to learn from them.	Are secretive and kept close to the chest, making it easy to repeat them in the future.

**What does this mean for your company? The following section will address your organization's specific needs.**





## PART TWO

### Define the Appetite for Risk in Your Organization

What separates leading innovators from other organizations is their focus on execution. For most companies, there's a big difference between a grand vision and the reality on the ground. This section of the guide will help you close this gap.

Your plan to take smart risks will not only need to address the bigger picture of your organization, but also must consist of specific tactics and milestones that are rooted in the reality of your business. By staying focused on results and execution, you'll be able to make a meaningful, lasting difference in your organization.



## Starting Out

### Issues to Consider Before You Begin

The following are some important considerations to keep in mind as you define the appetite for risk in your company. Focusing on these tactics offers a methodical approach for any company, regardless of industry or size.

#### **Think about risk in terms of resources.**

Set acceptable limits on how many resources (time, people, money) you're willing to invest in innovation projects.

#### **Identify success and failure.**

Everyone involved in a project understands what failure and success means. Projects are quickly halted if they're not being successful.

#### **Move quickly.**

Innovation teams engage in rapid versioning—a quick cycle of prototyping, feedback, and refinement. They're given tight deadlines and have frequent checkpoints to measure progress.

#### **Learn from past mistakes.**

Teams are open and communicative about failures. They are documented, communicated, and internalized to make future projects less error-prone.

From setting your acceptable risk to identifying tactics to jump-start your efforts, the following pages will delve into the details.





# “Appetite for Risk” Tool

## How You Can Set Your Acceptable Level of Risk

The first step your organization needs to take is to define your appetite for risk in innovation. This sets the boundaries of comfort for management and offers innovation teams the opportunity to experiment within the framework. It also sets the stage for gradually increasing your organization’s commitment to risk.

In this tool, we show you how there are three dimensions to set your acceptable level of risk: time, investment, and people. For each of the dimensions, the tool provides thought-provoking questions that will help your team define how much risk you’re willing to take.

### Why use the tool?

The “Appetite for Risk” Tool will help you:

- Look at tangible and realistic ways to define a level of risk that’s acceptable for your organization, and use it to give better direction for innovation projects.
- Get management on the same page.
- Create a document for sharing your findings and building consensus among stakeholders.

### How to use the tool

We recommend that this tool be used by a small team that’s in charge of igniting innovation efforts within your organization. Once you’ve defined the level of acceptable risk you’re willing to take, share the tool with a larger group (including senior management) to validate and gain consensus. Then, use the decisions to give guidance to innovation teams.

The accompanying Word file (tool\_appetitefor-risk.doc) contains the worksheet to customize and distribute within your company. Here, we highlight guidelines and examples to help you better use the tool.



**“APPETITE FOR RISK” TOOL WORKSHEET**

Dimension of risk	Thought starters	Boundaries
1. Time (Days, Weeks, Months, Quarters)	<ul style="list-style-type: none"> <li>Historically, how much time have we given teams to develop projects without showing results? How can we improve on it?</li> <li>How much time can we offer innovation teams before we fund further or stop the project?</li> <li>What are the traditional timelines for new projects in our company? Can we offer the same buffer to our innovation teams?</li> <li>How often can we set milestones with project teams to ensure we’re frequently checking on progress WITHOUT getting in the way?</li> <li>How many levels of approval do we require on a traditional project to green light it? How can we reduce it for an innovation initiative without putting the company at risk?</li> </ul>	
2. Investment (\$\$)	<ul style="list-style-type: none"> <li>Can we offer teams an initial pot of money (and give them the freedom to use it) before they come back for more?</li> <li>How should we distribute our innovation budget? Per team? Per project? Per division?</li> <li>What is our R&amp;D budget? How does it benchmark with our competition?</li> <li>What percentage of annual revenues can we set aside for innovation projects?</li> <li>In the last five years, what was the amount of \$\$ we’ve spent on failed projects? How could we have minimized our losses?</li> <li>What’s the least amount of \$\$ we can afford to spend on a new project before we say no?</li> <li>What’s the least amount of \$\$ we can give a team to start a project?</li> </ul>	
3. People (Number of people and who)	<ul style="list-style-type: none"> <li>What is the average size of project teams in our company? Can we reduce it for an innovation project?</li> <li>How much time can a team spend on an innovation project without it affecting their day jobs? (per day/week/month/quarter)</li> <li>Who are the people in our company that are must-haves in an innovation project? Who can take over their current responsibilities?</li> <li>What’s the smallest number of people we can put on an innovation project team so they can be autonomous?</li> <li>If we could dedicate people to an innovation project on a full-time basis, how many can we afford to use without impacting our daily operations?</li> </ul>	

Our appetite for risk:

1. Time	
2. Investment	
3. People	

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### Worksheet

This tool lists the three dimensions of risk in the first column. The thought-starters in the second column will help you think about how to set risk in your organization. Use the third column to list potential boundaries for each dimension of risk. Indicate your final decisions at the bottom of the page.

Dimensions of Risk	Thought-starters	Boundaries
<b>1. Time</b> (Days, weeks, months, quarters)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Historically, how much time have we given teams to develop projects without showing results? How can we improve on it?</li> <li><input type="checkbox"/> How much time can we offer innovation teams before we fund further or stop the project?</li> <li><input type="checkbox"/> What are the traditional timelines for new projects in our company? Can we offer the same buffer to our innovation teams?</li> <li><input type="checkbox"/> How often should we set milestones for project teams to ensure we're frequently checking progress <b>without</b> getting in the way?</li> <li><input type="checkbox"/> How many levels of approval do we require on a traditional project to green light it? How can we reduce it for an innovation initiative without putting the company at risk?</li> </ul>	<hr/>
<b>2. Investment</b> (\$\$)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can we offer teams an initial pot of money (and give them the freedom to use it) before they come back for more?</li> <li><input type="checkbox"/> How should we distribute our innovation budget—per team? Per project? Per division?</li> <li><input type="checkbox"/> What is our R&amp;D budget? How does it benchmark with our competition?</li> <li><input type="checkbox"/> What percentage of annual revenues can we set aside for innovation projects?</li> <li><input type="checkbox"/> In the last five years, what was the amount of \$\$ we've spent on failed projects? How could we have minimized our losses?</li> <li><input type="checkbox"/> What's the least amount of \$\$ we can afford to spend on a new project before we say no?</li> <li><input type="checkbox"/> What's the least amount of \$\$ we can give a team to start off a project?</li> </ul>	<hr/>
<b>3. People</b> (Number of people and who)	<ul style="list-style-type: none"> <li><input type="checkbox"/> What is the average size of project teams in our company? Can we reduce it for an innovation project?</li> <li><input type="checkbox"/> How much time can a team spend on an innovation project without it affecting their day jobs? (Per day/week/month/etc.)</li> <li><input type="checkbox"/> Who are the people in our company that are must-haves in an innovation project? Who can take over their current responsibilities?</li> <li><input type="checkbox"/> What's the smallest number of people we can put on an innovation project team so they can be autonomous?</li> <li><input type="checkbox"/> If we could dedicate people to an innovation project on a full-time basis, how many can we afford to use without impacting our daily operations?</li> </ul>	<hr/>

**Our Appetite for Risk:**

<b>1. Time</b>	
<b>2. Investment</b>	
<b>3. Risk</b>	





## Example

### One Sample Company's Completed Worksheet

Dimensions of Risk	Thought-starters	Boundaries
<b>1. Time</b> (Days, Weeks, Months, Quarters)	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Historically, how much time have we given teams to develop projects without showing results? How can we improve on it?</li> <li><input checked="" type="checkbox"/> How much time can we offer innovation teams before we fund further or stop the project?</li> <li><input type="checkbox"/> What are the traditional timelines for new projects in our company? Can we offer the same buffer to our innovation teams?</li> <li><input type="checkbox"/> How often should we set milestones for project teams to ensure we're frequently checking progress <b>without</b> getting in the way?</li> <li><input type="checkbox"/> How many levels of approval do we require on a traditional project to green light it? How can we reduce it for an innovation initiative without putting the company at risk?</li> </ul>	<p>We've given teams three months to prove ideas in the past.</p> <p>We can commit to four months for innovation projects before we decide to pull the plug.</p>
<b>2. Investment</b> (\$\$)	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Can we offer teams an initial pot of money (and give them the freedom to use it) before they come back for more?</li> <li><input checked="" type="checkbox"/> How should we distribute our innovation budget—per team? Per project? Per division?</li> <li><input type="checkbox"/> What is our R&amp;D budget? How does it benchmark with our competition?</li> <li><input type="checkbox"/> What percentage of annual revenues can we set aside for innovation projects?</li> <li><input type="checkbox"/> In the last five years, what was the amount of \$\$ we've spent on failed projects? How could we have minimized our losses?</li> <li><input type="checkbox"/> What's the least amount of \$\$ we can afford to spend on a new project before we say no?</li> <li><input type="checkbox"/> What's the least amount of \$\$ we can give a team to start off a project?</li> </ul>	<p>We'll spread \$200,000 over the entire lifecycle of an innovation project.</p> <p>We'll distribute this over five checkpoints where we'll make go/no-go decisions. If a project is approved at a check point, it gets the next \$40,000.</p> <p>If teams need more, they'll need to justify the additional funding.</p>
<b>3. People</b> (Number of people and who)	<ul style="list-style-type: none"> <li><input type="checkbox"/> What is the average size of project teams in our company? Can we reduce it for an innovation project?</li> <li><input type="checkbox"/> How much time can a team spend on an innovation project without it affecting their day jobs? (Per day/week/month/etc.)</li> <li><input type="checkbox"/> Who are the people in our company that are must-haves in an innovation project? Who can take over their current responsibilities?</li> <li><input checked="" type="checkbox"/> What's the smallest number of people we can put on an innovation project team so they can be autonomous?</li> <li><input type="checkbox"/> If we could dedicate people to an innovation project on a full-time basis, how many can we afford to use without impacting our daily operations?</li> </ul>	<p>Let's start with three- to four-person teams spear-headed by the R&amp;D division.</p> <p>Assign one full-time resource and for the rest of the team, we can let them spend 20 percent of their time on the project.</p>

#### Our Appetite for Risk:

<b>1. Time</b>	<i>Four months per innovation project to determine feasibility.</i>
<b>2. Investment</b>	<i>\$40,000 as initial "seed money" for an innovation project. Additional disbursements of \$40,000 each will be granted at a go/no-go review (total of five reviews).</i>
<b>3. Risk</b>	<i>R&amp;D to lead innovation projects (full-time). Assign one full-time resource with the support of three people, who can each spend 20 percent of their time on innovation.</i>



## Jump-starts

### How You Can Bring Innovation to Life in Your Organization

By now, you've identified the boundaries within which innovation teams are "allowed to play." On the following pages, we outline some "jump-starts." These tactics are smart ways to spark innovation in your organization.

Some of the jump-starts are immediate tactics that can be executed with limited resources. Others are broad-based and require a more substantial investment. The right choice of jump-starts will depend upon your needs and the resources available to you.





## Jump-starts *(continued)*

### How You Can Bring Innovation to Life in Your Organization

#### **Take many “smart risks” instead of “one big risk.”**

Consider how you can spread out your risk and better balance your ideas in development. Get teams to work on a blend of projects and empower them with the freedom to fail within limits.

#### **Bring existing examples of smart risk-taking to life.**

You’re already taking smart risks. You may just not be aware of it. Talk to your direct reports or peers. Ask them if they’ve seen examples of smart risk-taking among other managers, employees, or teams. It’s important that you get in touch with, showcase, and reward them as a start.

#### **Set up a “quick-win” team as a kick-off.**

After you’ve defined the levels of smart risks for your company, set up an initial “quick-win” team that can take on a project based on agreed-upon risks. An initial quick-win like this can make the company (and management) sit up and take notice.

#### **Identify managers who can spearhead your team.**

Look for managers who are confident, speak openly about their failures, or who have led long-lasting teams (because they inspire loyalty).

#### **Make teams autonomous.**

Teams can do little if they don’t have the freedom to make decisions. This means they should have the freedom to define their:

- Metrics for success and failure
- Timelines
- Roles and responsibilities

#### **Communicate to everyone how your team is doing.**

The more you can publicize the ongoing efforts of your team, the more discussion it will generate within your company. Have the team provide updates often. Here are some communication ideas:

- “Learning center.” Give teams a dedicated space on the Intranet. Teams are expected to write about their experiences, and what they learned from it.
- “Bi-weekly digest.” A bi-weekly email from the team that summarizes their progress.
- Use multiple channels: The annual report, the town hall, the status meeting, the newsletter, the water cooler.



## Jump-starts *(continued)*

### How You Can Bring Innovation to Life in Your Organization

#### **Encourage rapid prototyping.**

Encourage your team to get into development as quickly as possible. They should know that frequent and numerous revisions are the name of the game.

#### **Know when to stop.**

Most innovation projects falter because stakeholders just don't know when to draw the line. Make sure the team has defined "what failure means." When a project is reviewed, hold it up against this standard. And remember to kill the project, not their enthusiasm.

#### **Position failures as learning points.**

Learning why projects fail improves the next project. People are afraid to fail when they think they will be held accountable for it. The vocabulary needs to move from "who's to blame?" to "who tried to experiment?"

#### **Encourage "dumb" questions.**

Fear of looking stupid prevents individuals from asking the simple, "stupid" questions that often encourage the "what ifs" and "why nots" that produce breakthroughs.

#### **Use innovation champions to spread the word.**

It's critical to have influential managers who have the power to change behavior get behind your efforts. Here are some ways you can effectively use champions.

- Hand them "innovation talking points" to get a consistent message of experimentation spread across your organization.
- Hold monthly or quarterly meetings and encourage these innovation champions to "show and tell" their teams' experimentation efforts.



## Blind Spots

### Insights to Combat Naysayers When Building a Climate of Smart Risks

When it comes to getting comfortable with risk-taking, companies make some common mistakes. These errors are a result of misconceptions that can make the task seem daunting for managers. You should be aware of these blind spots from the onset. You'll be able to avoid them and better build a climate of innovation for your organization.

Blind Spot	Insight
<b>“Taking a risk is being RISKY.”</b>	The leading innovators actually take smaller, more palatable risks. They figure out acceptable levels of risk, and allow freedom to experiment within those limits.
<b>“Let’s do all our homework first and then begin to implement.”</b>	Smart risk-taking is not about analysis-paralysis. It’s about experimenting first and then constantly refining.
<b>“A climate of risk-taking can’t work at our company.”</b>	Most companies take risks; they’re just not aware of it. If you look at the practices of leading innovators, you’ll see that they can be applied to any type of business.
<b>“Let’s do this without senior management and get it going.”</b>	You will not get traction and wide support for your efforts unless you have the active commitment and participation of management.



## Signs of Success

### Hard and Soft Metrics to Know if You're Being Effective

Use this table to understand if you're getting the results you need and to demonstrate effectiveness to management. This list of metrics is by no means exhaustive, but it offers guidance as you formulate your own metrics for how you will evaluate the effectiveness of your climate over time. We list two types of measurement methods. The first set is soft and qualitative; the second set is hard and quantifiable.

We recommend that you choose only a handful of metrics for your program. A small set of metrics helps you effectively measure your performance, and makes it easy to manage. Remember that the frequency of measurement (weekly, monthly, quarterly, annually) will depend upon the metrics you select.

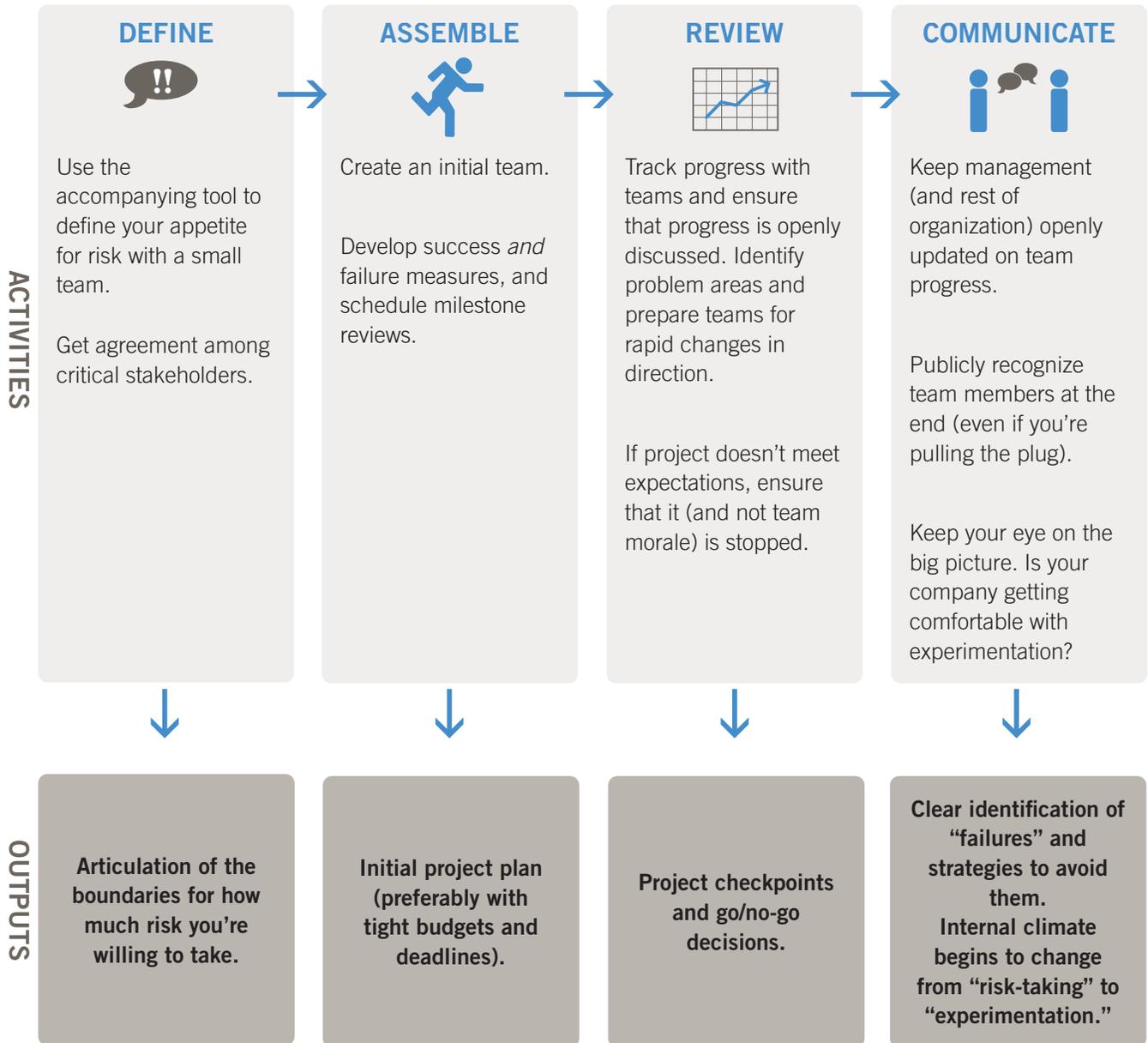
Soft Signs	Hard Metrics
<ul style="list-style-type: none"><li>→ Senior management starts using your initiatives as examples of risk-taking in your company.</li><li>→ Senior management wants to know <i>how</i> teams are working, rather than <i>what</i> they're doing.</li><li>→ More employees want to participate in innovation projects.</li><li>→ Employees begin to talk about failures and what they learned from them.</li><li>→ People start talking about experimentation, and less about "taking risks."</li><li>→ People stop demanding exhaustive research and embrace a "test and refine" approach.</li></ul>	<ul style="list-style-type: none"><li>→ Percentage increase in number of innovation projects funded in a year.</li><li>→ Number of innovation projects funded after a failure.</li><li>→ Ratio of rapid experiments vs. single try/fail efforts.</li><li>→ Number of projects killed.</li></ul>



## Suggested Roadmap

### How to Roll Out a Program of Smart Risk-Taking in Your Company

If you're looking to successfully build a culture of smart risks in your organization, you'll need a methodical approach that focuses on execution. This roadmap will help you roll out a program of smart risks.





## PART THREE

### Resources to Learn More

Want to learn more about taking smart risks? There is a lot of information in the public domain that can provide additional insights. Here, we provide some direction to make your search easier.

You can always get more practical advice and a clear approach to all your innovation needs at [www.futurethink.com](http://www.futurethink.com).

## Google This

### Search terms to help you learn more

Here are some Web search terms that can get you better results:

- culture change risk-taking**
- failure innovation**
- good risks**
- intelligent risks organizations**
- learning to fail organizations**
- rapid prototyping**
- risk innovation**
- smart risks**

