

ATN Business Sense  
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Things go wrong. Mistakes, failure to follow procedures and errors of judgement are part of business and life. Business does not go to plan. The best laid plans can go astray. A senior manager in a business once said “You cannot plan; things just come at you” and allowed the business to be driven by external forces. The result, although the business was innovative, was that it failed. Things do come at you and a sound process is needed to handle them.

Failure is an issue many have trouble dealing with. Curiously, many people find it hard to say “no”. That response should be considered and need not be rude. For example, if offered work by a prospective customer where the “fit” does not seem right, the appropriate response is to reply “No thank you.” An option is to undertake the work on a trial basis and conduct a review after a specified time; 7 30 or even 90 days. If it has worked well continue unchanged; if modifications are required, discuss and agree them and make them. Then check they are operating as planned. If you have still not achieved a “win win” it best to part company on good terms. You can offer to make an introduction to a more suitable provider. The worst decision is to continue the relationship in the hope that things will get better. The result will be a failure; bad in one sense as you may lose money but good in another in that a lesson will be learned.

Leaders must to be clear about where failure will be tolerated – and where it won't. Mike Eskew, the former CEO of UPS quoted by Rita Gunter McGrath in the April 2011 Harvard Business Review put the customer experience out of bounds. “We fail in such a way that it never touches the customer.” This meant that UPS did not “experiment with moving, paying for, or otherwise interacting with a package. In all other respects it permitted – even encouraged entrepreneurial experiments that stretched the century old company.”

McGrath's idea when you are trying something new is to “Decide what you're trying to do and what success would look like.” That means writing it down and sharing it with your people. “Be explicit about the assumptions you're making and have a plan for testing them throughout the project. Design the initiative in small chunks so that you learn fast, without spending too much money.” Closely monitor the project so that if something is not working you can save throwing more resources at a losing proposition. “Don't try to learn more than one significant thing at a time. Create a culture that shares, forgives and sometimes even celebrate failure.”

Some businesses even have formal rules on when failure is acceptable. That is when there is genuine uncertainty, the cost is small, the major assumptions are documented in writing, “there is a plan to test the assumptions” and the risks of failing are understood and mitigated where possible. Critically, costs must be contained, commitments are scaled as understanding is increased and you have defined what success would look like and it is a worthwhile opportunity.

The best way to drive a business, foster continuous improvement and learn from failure is with a Strategic Business Plan. It need not be long, around a dozen pages often suffices. It is a process to document issues and have actions on how to deal with them. Key people should be involved in the process and the plan should be reviewed and updated monthly.

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