

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.

<https://www.wsj.com/articles/failure-entrepreneur-innovation-failing-upward-startup-11634480558>

OPINION | INSIDE VIEW

Failure Was Always an Option for Elizabeth Holmes

If somebody had told her, she would have avoided a world of trouble.



By [Andy Kessler](#)

Oct. 17, 2021 2:20 pm ET



Theranos founder Elizabeth Holmes arrives at federal court in San Jose, Calif., Oct. 12.

PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

As the Elizabeth Holmes trial for alleged fraud at her startup Theranos winds on, the biggest question is: When the company's blood testing machines didn't work, why didn't she change tactics? Real entrepreneurs fail early and often. Ms. Holmes instead was stubborn and chose deception over failure. That's a shame. Despite today's IPO and SPAC fireworks, the truth is that in Silicon Valley most ideas fail. Heck, most companies fail.

More than half of venture-capital investments are smoking holes in the ground.

Fortunately, success often rises from the ashes of ruin.

Some history of failure: Thomas Edison, the "Wizard of Menlo Park" (New Jersey, not California), had the hardest time finding a filament for his incandescent lightbulb. He tried bamboo, cedar and flax until he found that carbonized cotton worked. "I have not failed. I've just found 10,000 ways that won't work," Edison said. Fail until you succeed beats fake it till you make it.

Then there is the computer mouse. The Douglas Engelbart version of 1968 was a crude wooden block on two wheels with three buttons. Xerox PARC came up with a better mouse using a metal ball and motion sensors. Steve Jobs wanted one, so [Apple](#) hired a design

firm, which came up with over 25 prototypes, all failures, until a design in 1981 worked. Think of all the failed mice it took to create today's curved mouse with multiple buttons, a scroll wheel and optical sensors. Speaking of failures, James Dyson made 5,127 prototypes over four years for his "cyclone" vacuum cleaner.

Entrepreneur Stewart Butterfield once tried to build a multiplayer online game but switched to photo sharing, selling Flickr to Yahoo in 2005 for \$25 million. Success, but not a home run in Silicon Valley. Mr. Butterfield left Yahoo in 2008 to help found a company called Tiny Speck and build another multiplayer online game called "Glitch." Persistence! "Glitch" attracted tens of thousands of gamers, but not enough to cover its costs, so Mr. Butterfield killed it in 2012.

READ MORE INSIDE VIEW

[Catch Society's Meltdown on HBO](#) October 10, 2021

[Will China Save Evergrande?](#) October 3, 2021

[Ilhan Omar's Idea of Progress](#) September 26, 2021

[What Super Bowls Teach Us About Capitalism](#)
September 19, 2021

[The Stock Market Fails a Breathalyzer](#) September 12, 2021

Tiny Speck pivoted, which in Silicon Valley means fail and scramble to do something else. The company had built its own crude internal communications system for employees to chat digitally during the development of "Glitch." Maybe others would use it. Seven months after they started work on Slack, the company announced its preview release. On the first day of the press blitz, 8,000 people requested the preview version. In February 2014 Slack had 16,000 users and by November it had 285,000, with 73,000 paying for it. Now more than 10

million people use it daily. Mr. Butterfield sold Slack to [Salesforce](#) for \$27.7 billion last year. That's failing upward!

Then there's [Elon Musk](#), who very openly noted, "My proceeds from the [PayPal](#) acquisition were \$180 million. I put \$100 million in SpaceX, \$70m in Tesla, and \$10m in SolarCity. I had to borrow money for rent." SpaceX was founded in 2002 and scraped by for years. Tesla's original Roadsters had quality issues, and I used to see flatbed trucks hauling failed Roadsters back to the dealership. SolarCity was kind of a dud.

Success has many fathers and detours. While we shouldn't encourage failure, we shouldn't penalize it either by shunning failed entrepreneurs as losers. Failure is part of the natural evolution to success.

Failure is why so many things are invented by entrepreneurs instead of by big companies. Few inside [General Motors](#) or [General Electric](#) or [IBM](#) want to risk their careers on something bold. Potential innovators fear failure that could tarnish their rise to department head and a slightly bigger office.

Venture capital and Silicon Valley are a virtuous risk-taking loop with money looking for returns and ideas looking for money. Rather than one command-and-control corporate person to pitch an idea to, there are scores of venture firms that specialize in hearing "out there" ideas. Get a no? Just walk across the street. Some VC firms even openly talk about the successful companies they chose not to fund.

Some big companies allow skunk-work projects, and Google even funds so-called moon shots like self-driving Waymo. But successful spinouts are still rare.

A friend once confessed to being nervous about joining a startup. "What if it fails?" he asked. After my usual suggestion of adding a zero to whatever share amount they offer, I

said, “So what? You’re still you. You won’t fail, though the company might. You can always get another job to make money or start something else.” Failure is an option, even if it isn’t the preferred one. I wish someone had told that to Ms. Holmes.

Write to kessler@wsj.com.

Appeared in the October 18, 2021, print edition as ‘Failure Is Always an Option.’

Copyright © 2021 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.