Four key takeaways

Businesses are most fragile in the first mile, when they move from plan to reality

Speed through the first mile by being DEFT and having HOPE as you manage strategic uncertainty

Increase your organizational curiosity to make strategic experimentation a more “natural act”

Seek chaos, broaden your skills, and diversify your network to lead in the coming age of discontinuity
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“There's a lot of hair in India and a legitimate gap in the market. There is a publicly traded US company that does franchise salons and barbershops (parent of Supercuts) with a $1 billion market capitalization. Last year Gillette bought The Art of Shaving, demonstrating an interest in service businesses.”

Scott D. Anthony, 27-Jan-2010
R.I.P.

Razor Rave
GROOMING ON THE GO

April 2010
“Genius is 1 percent inspiration and 99 percent perspiration.”
12% Inc 500 founders attributed success to a brilliant idea

25% Venture-capital backed startups that returned *any* capital to investors

0.1% Venture-capital backed software companies since 2003 worth >$1B

0.05% CPG product launches from 2008-11 that were “breakthrough successes”
Through our experience in innovation’s first mile, we have learned …
"It felt like we were Apple, running our skull-and-crossbones up the flagpole. We knew at that moment that we could change the world."
2

Customers Lie
You Can’t Cash a Spreadsheet
Indifference Doesn’t Scale

### TABLE 7-2

Guaranteach August 2009 dashboard

<table>
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<td>New pieces last week</td>
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<td>Active contributors</td>
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<td>Release version</td>
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<td>Last month’s spend</td>
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<td>Total invested</td>
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<td>Weekly web traffic</td>
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<td>Free trials last week</td>
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<td>Total paying accounts</td>
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<td>Cumulative subscriber months</td>
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<td>Weekly subscription revenue</td>
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<td>Year-to-date revenue</td>
<td>103</td>
<td>113</td>
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<td>Pilots run this week</td>
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<td>Number of users giving feedback</td>
<td>0</td>
<td>39</td>
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Note: Figures indexed to 8/29/2009 = 100 except for raw figures in italics.
It Always Takes Longer, It Always Costs More
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The first mile is all about managing *strategic* uncertainty.
The D-E-F-T process helps to bring the scientific method to strategy

- **DOCUMENT** what you plan to do
- **EVALUATE** it to unearth assumptions
- **FOCUS** on the most critical uncertainties
- **TEST** rigorously and adapt quickly
Step 1: **Document your plan**

At the least …

- What is the problem you are solving for the customer?
- What is your idea?
- How will it translate into value?
- What are you least sure of?
- How will you learn more?
Step 2: **Evaluate** it to identify underlying assumptions

1. **Is there a need?**
   - Is there an **important Job-to-be-done** (problem to be solved) that isn’t adequately addressed by current solutions and affects a large segment?

2. **Can we address it?**
   - Can we reliably build and deliver a compelling solution that is superior to offerings from current and potential competitors?

3. **Is it worth it?**
   - Can we sustainably create and capture value?
Step 3: **Focus** on what you *don’t* know …

<table>
<thead>
<tr>
<th>Question</th>
<th>Low</th>
<th>Degree of Proof</th>
<th>High</th>
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</thead>
<tbody>
<tr>
<td>Is there a need?</td>
<td>Said</td>
<td>Shown</td>
<td>Used</td>
</tr>
<tr>
<td>Can you deliver?</td>
<td>Dreamed</td>
<td>Drawn</td>
<td>Prototyped</td>
</tr>
<tr>
<td>Is it worth it?</td>
<td>Model: Envelope</td>
<td>Model: Unit Economics</td>
<td>Model: Entire Business</td>
</tr>
</tbody>
</table>
... particularly where the impact is large

**Deal-kilers**
Risk undermining the entire venture

**Path-dependencies**
Heavily influence subsequent decisions

**High ROI assumptions**
Can be knocked off quickly and cheaply

Step 4: Test rigorously and adapt quickly
Over a two month period we tested more than two hundred models of different types of wings. Sometimes we got results that were just hard to believe. Data used by early inventors proved to be full of errors.

Sometimes the non-glamorous lab work is absolutely crucial to the success of a project. It is doubtful if anyone would have ever developed a flyable wing without first developing this data.
What’s your wind tunnel?
Always have HOPE when you test

“With expectations clear, it would be obvious when something happened that didn’t conform to those expectations. As a result, even if you didn’t succeed, you created an opportunity to learn to succeed. Stating clear expectations was a given, with no exceptions.”
Summary: Be DEFT, have HOPE
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Cultures that support strategic experimentation

**BRAND CAMP**

Our latest innovation is a goose that lays eggs of solid gold.

That’s a distraction from our core.

And we have no budget for goose-related expenses.

On that note, we’ll need the feathers and liver for another project.

---

*Cartoon by Tom Fishburne*
Views
 Customers as Humans

Forges
 Strategy in Market

THE CURIOUS COMPANY

Loves
 Learning

Lives at the
 Intersections
Pfizer was investigating a drug named “UK-92480” that they had discovered by rational drug design. It caused smooth muscle relaxation through inhibition of the phosphodiesterase (specifically PDE5), which is responsible for hydrolysis of cyclic GMP. It was hoped that inhibition of PDE5 would cause smooth muscle relaxation via the pathway above, and lower blood pressure in patients. Unfortunately, results were modest.
An interesting side-effect of the drug was noticed by male patients however, and the drug was surprisingly popular among the study participants despite the poor control of blood-pressure.

**Pfizer, not being idiots, realized they had hit gold.**
“Well, that was a dud. Did someone drop you on your head when you were young?”
Externally focused; “consumer is boss”

Driven by opportunity, not constrained by resources

Bipolar (optimist & devil’s advocate)

Camp out at intersections

Tinkerer’s mentality (“good enough”)

Willing to say “no,” “not now,” & “stop”
You learn **far more** from your **failures** than you do from your **successes** – far more from your failures.

What we’re trying to do now is fail **a lot faster**, fail **a lot cheaper**, so we can fail more and get on to the **next idea** or the **next innovation** that may become a **commercial success**.
Showcasing a growing culture of risk-taking and perseverance across Tata companies, the Dare To Try category at Tata Innovista saw over 240 entries. The Dare To Try category recognises and rewards most novel, daring and seriously attempted ideas that did not achieve the desired results. The award went to Tata Consultancy Services.
“We want our leaders to be coaches and facilitators, not decision makers. The experiments that the team runs should provide the data to help the team make decisions so the leader doesn’t have to.”
"We teach our leaders that it's your job to put in the systems that enable your people to run your experiments fast and cheap and to keep making them faster and cheaper. Yield as many of your decisions off to the experiment as possible."
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The trouble with our times is that the future is not what it used to be.
The reality of today’s world

“On average, an S&P 500 company is now being replaced about once every two weeks. And the churn rate of companies has been accelerating over time.”
What can you learn from the marshmallow challenge?

20 sticks of spaghetti + one yard tape + one yard string + one marshmallow
Recent Kindergarten School Graduates

Innovative behaviors come naturally to us as children. We systematically unlearn how to be curious and creative.

Magic happens at *intersections* – where different mindsets, approaches, and skills collide

Assessing your innovation network

Of the 20 people in your innovation network, how many …

- Have different academic degrees
- Are artists or entrepreneurs
- Spent a significant amount of time overseas
- Work in a different industry
- Could, perhaps proudly, be considered weird
- Are 20 years older or younger than you
When in doubt…

Hug Your Aliens
What we talked about

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75%
THE $1BN+ UNICORN CLUB: RECENT VALUATIONS

0.1%
A DAY IN THE LIFE OF

CORPORATE

STARTUP
Never faster, sometimes better
humble

thorough

innovative

flexible

active

bold