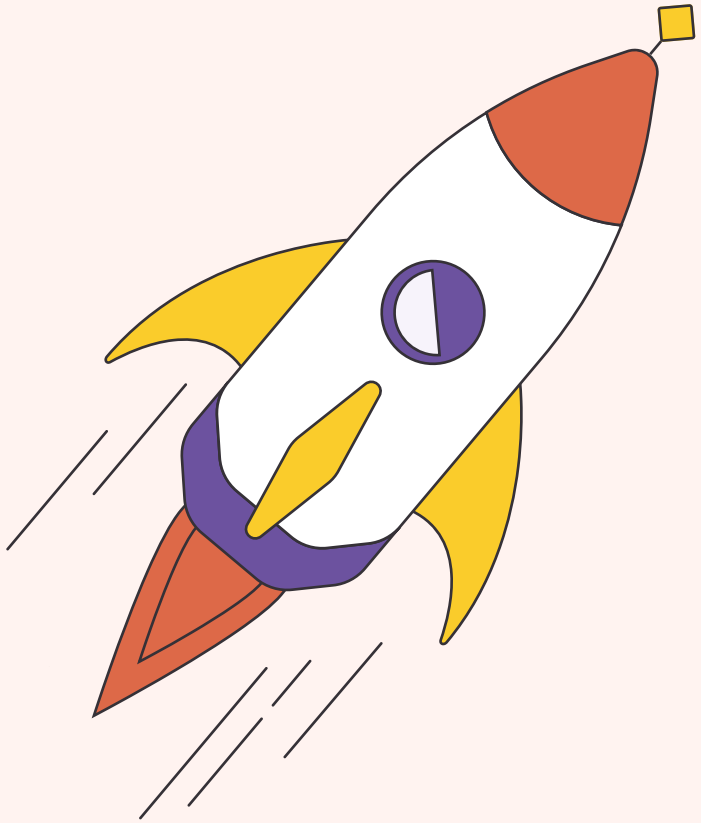
Simple Innovation

How to innovate rapidly at your company.



EXPONENTIALLY

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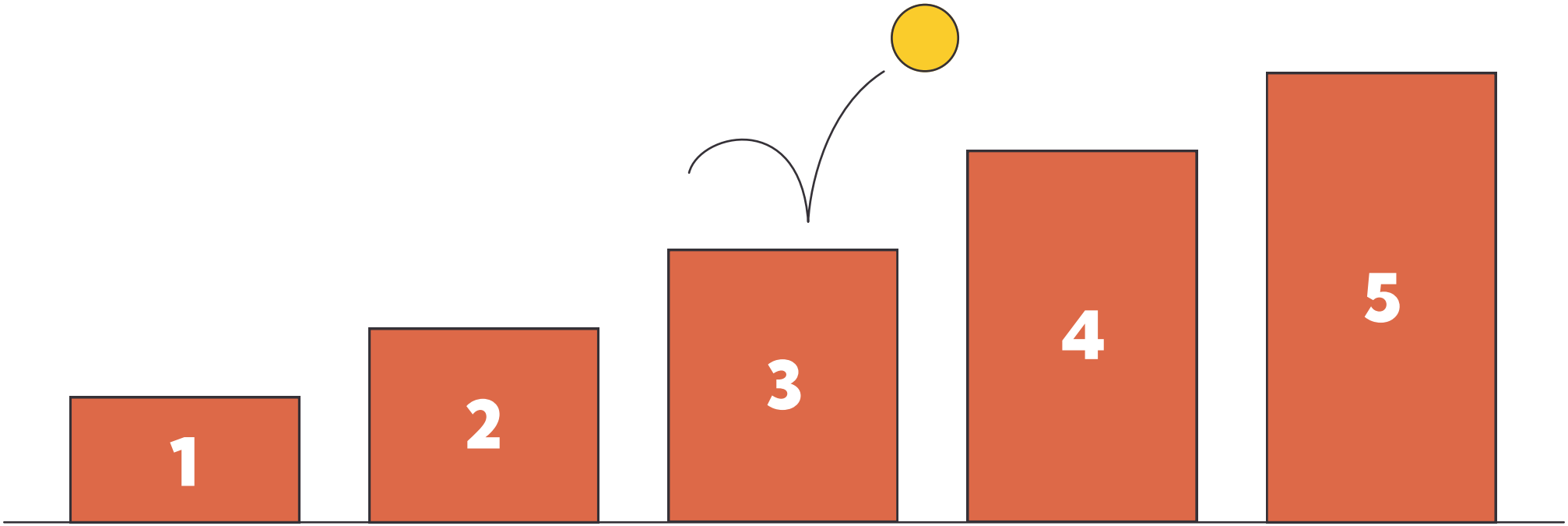

WELCOME

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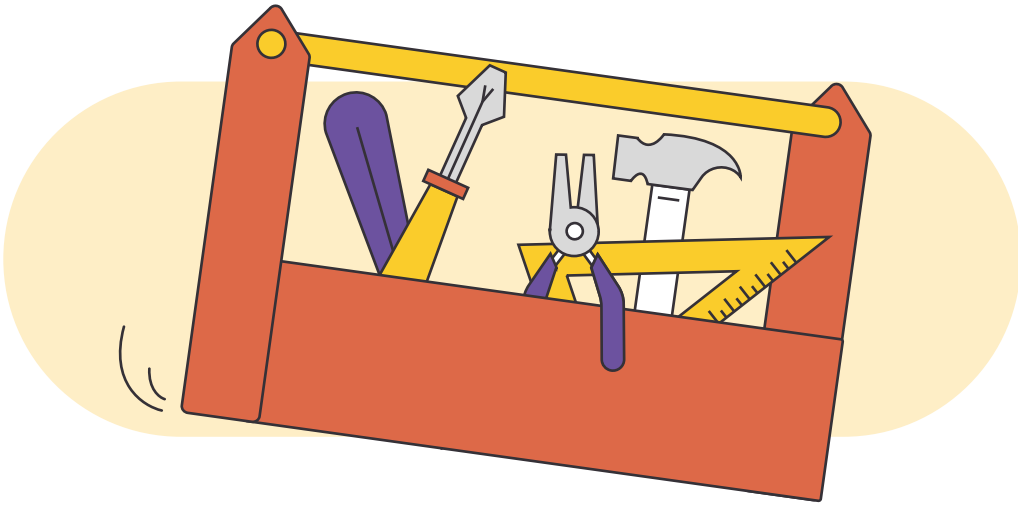


I'm delighted to share this comprehensive innovation approach, designed to be your go-to resource as you embark on your exciting journey towards rapid innovation within your company. While we're always here to offer our support and guidance, this information-packed resource is the perfect starting point to help you hit the ground running.

Over the following pages, we take you through the fundamental ideas that underpin our approach to enterprise innovation. Based on decades of hands-on experience in some of the world's biggest companies, we've developed the Rapid Experimentation Framework – a model to help companies invest smarter, make better business decisions, and grow in a meaningful way so that you're building products and services that your customers actually want.

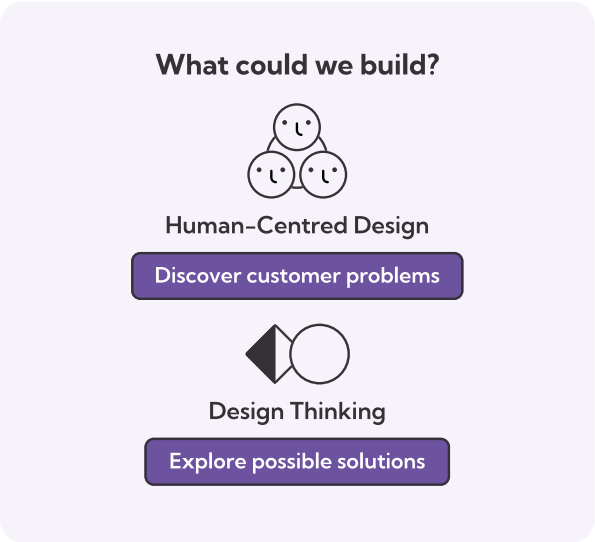
Our approach is designed to help your business move away from asking how you can build something to asking if you should build it.

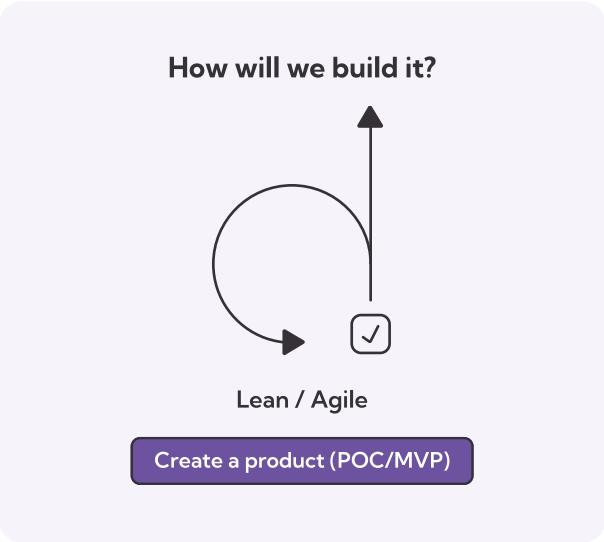
About the author

I'm **Leslie Barry**, the founder of Exponentially and a world-leading pretotyping and innovation expert. Exponentially is a boutique consultancy working alongside world-class companies to innovate and grow through our rapid experimentation framework.

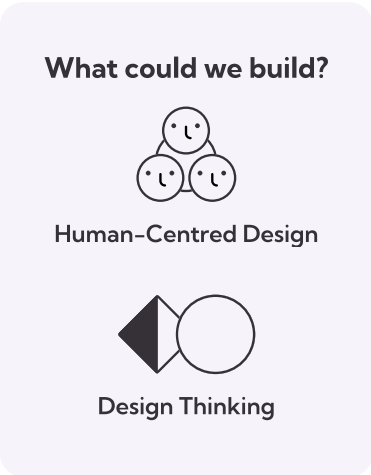
Our mission is simple. For too long, companies have been building based on assumptions, wasting precious resources in the process. We're here to change that.

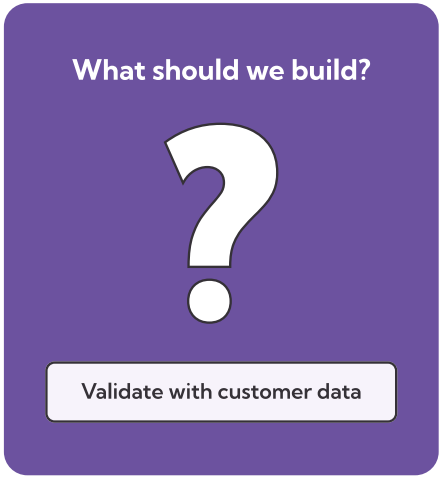
You know how to create ideas and how to build

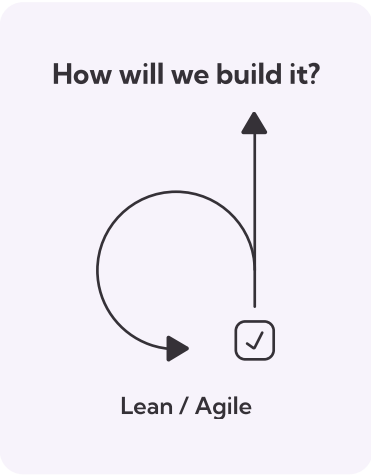




But how do you know what you should build?







Using proven tools and methods, such as **Pretotyping** and our own proprietary software, **Rapidly**, we help companies make informed decisions about your investments, saving you money by not investing in the wrong products. We work with teams to build the necessary skills to create a culture of embracing failure and to make decisions based on data rather than opinion. This capability has wide-reaching, positive effects for companies.

Ready? Let's get innovating.

Innovation is a simple process.

It's a complex problem and requires creative thinking and solutions, but the process itself is simple. This is not the common view – Search for 'innovation methods' and you'll be overwhelmed by complicated diagrams, tools and processes.

I'm convinced that the process is far simpler than it appears. If we do a few simple things right, and repeat them with rigour and discipline, the innovation takes care of itself.

Within enterprise, innovation appears complex.

There are always competing priorities, existing products and services that demand attention, and limited funding and patience for unsure bets that make getting anything done difficult.

The way businesses usually respond to this is to front-load the risk by taking a few big bets (almost always based on opinions, not data) and then force them into existence. At best you can run three or four of these big bet ideas per year. Given that we know 99% of new products fail, companies quickly run out of patience with this approach.

Next, enterprises roll in the consulting companies who leave them millions poorer and with fancy slide decks but not much else.

Finally, the penny drops – there has to be a better way. **You download this info pack when you realise a simple truth: Innovation = Experimentation = Results**

Here's what we know to be true.

- **Failing is inevitable;** whether you admit it or like it, it's best to embrace it. In fact, when it comes to innovation, failure is your friend. Failing saves you money and resources by not investing in the wrong ideas. It means reduced time to data and rapid learning through the process. And, given failure is inevitable, you increase your chance of success by placing more bets.
- **You're guessing right now on where to invest.** You're smart, but you're not the customer. The only way to decide is to get data instead of you and your customers' opinions.
- **Somewhere between 80 -99% of all new ideas are terrible.** No one likes to acknowledge this, but it's true. If you're running 3-4 big bets per year, you're almost guaranteed to fail. So, test 100 ideas per year instead. In doing so, you'll guarantee real savings by killing ideas early rather than over investing, and you'll find that winning idea.

Of course, running 100 experiments a year is daunting. Budgets, people, tasks, time, multiple experiments across multiple teams, impacting multiple customers – along with internal resistance and support – and all competing for scarce resources. **So, what to do?**

1.

Adopt and use a method and process that you trust.

2.

Put your best, most excited people on this problem. Engage all the brains in your company, not just the 'innovators'.

3.

Spend 10x less on each experiment. Currently companies are spending tens or hundreds of thousands of dollars on 'MVP's or 'POC's'. You can, and we have, run an experiment for a few hundred or few thousand dollars.

4.

Lastly – and most importantly – let the best idea win, **not** the most opinionated or influential person. To succeed, it's crucial to disconnect ideas from people.

That all sounds great. But how do we do it?

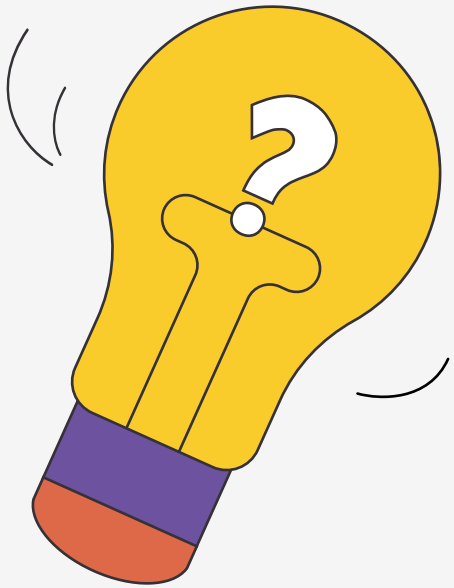
Over years of learning – and yes, experimenting – we've distilled our knowledge into a process with five simple steps to get from idea to results, fast and cost effectively. We use the best method I know to test ideas fast: **pretotyping**.

Created by Google, perfected at Stanford and trusted globally, it's a powerful tool to supercharge your innovation.

Our process is tested, proven and used at some of the world's leading companies across many industries and domains. **These five simple steps will get the innovation flywheel spinning fast and keep you on track.**

Remember:

The key is to be disciplined and execute relentlessly

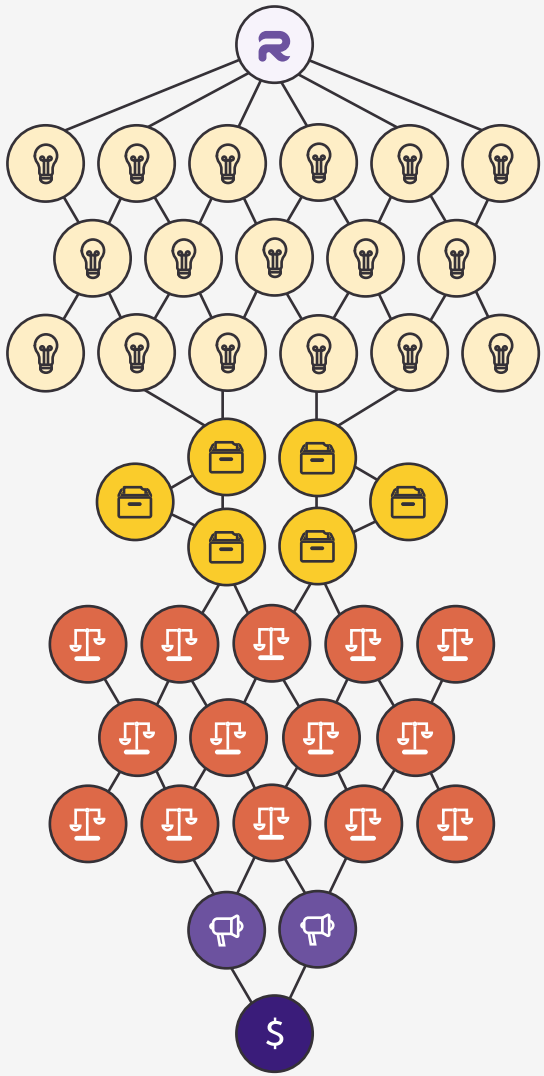


The five steps to Innovate Rapidly.

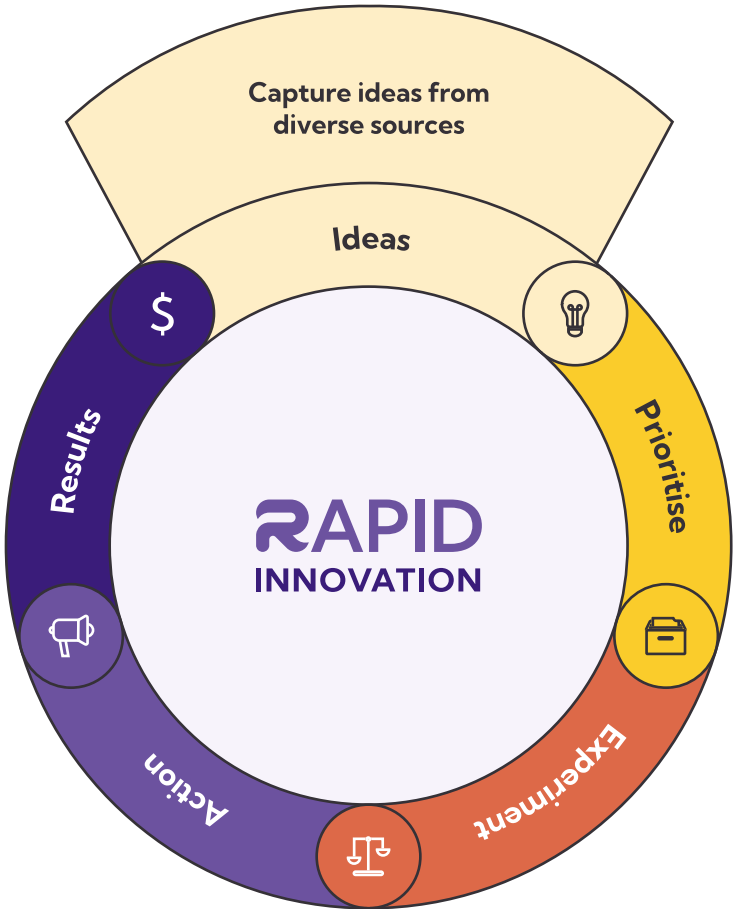
When it comes to innovating at scale, **there are a few key questions we need to ask ourselves:**

- How do we prioritise our ideas?
- How do we test them to know whether they're worth investing in?
- Once we've validated our ideas, how do we take action to build a business case?
- How do we measure the results?

The Rapid Experimentation Framework has been developed around these questions, with each step mapped to each phase of implementation.



Step one: Ideas



When it comes to innovating, it all starts with ideas.

Here's how to get started:

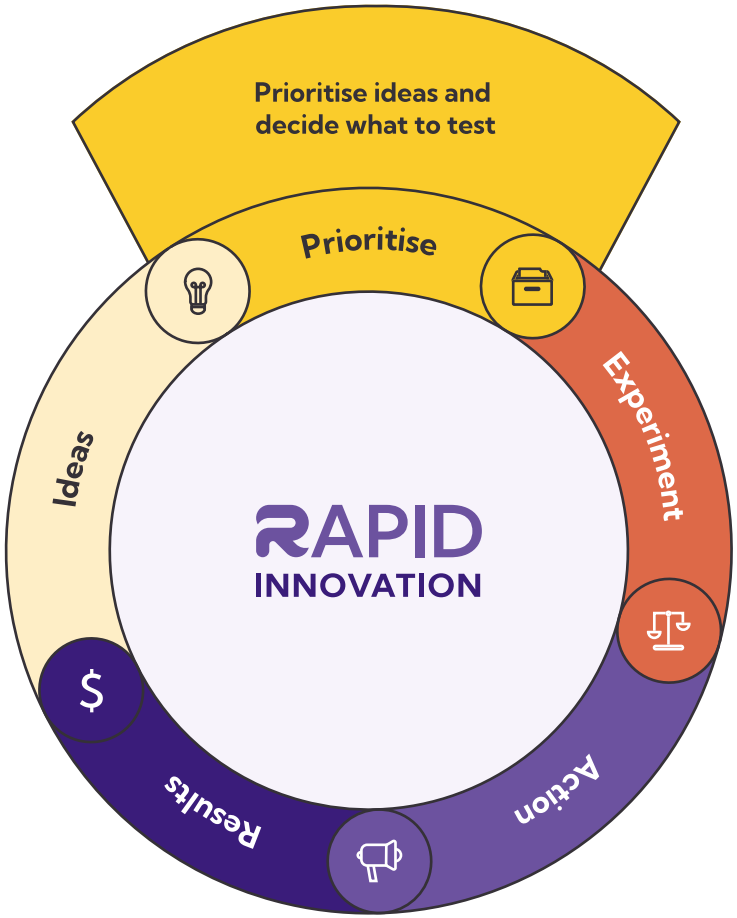
1. Make sure you're capturing your ideas in a central list or tool across the companies, to avoid silos, missed opportunities and miscommunication.
2. Remember that all ideas are worth capturing. You never know what your customers might love that surprises you.
3. Beware the voting trap. This is not an idea popularity contest. Votes are opinions and opinions mean nothing – what matters is data, which we get by testing ideas.
4. Source ideas from as many diverse places and people as possible. **Places you can look for ideas include:**

- Hackdays
- Suppliers
- ALL Staff. Remember, ideas are not only the realm of innovation, marketing or product teams. Technology, IT, legal, risk, people and culture, front line support, sales, and so on all have great ideas.
- Tech scans
- Partners
- Customers
- Venture teams

How we can help

We help you understand how to capture ideas to create excitement, support for innovation and participation across the business. **Talk to us** about how we can support your idea generation capability.

Step two: Prioritise



You've got your ideas. The next step in the process is to prioritise them to decide what to test.

Here's how to get started:

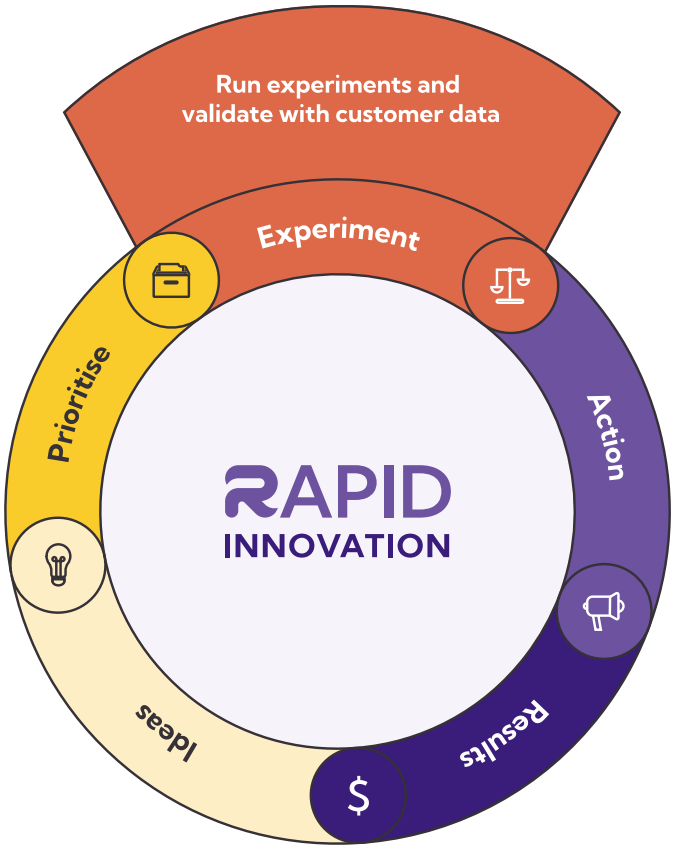
- Check ideas for strategic alignment against your company's objectives. Which ideas are most likely to move you towards your goals?
- Understand if ideas are internal improvement, new products or services or big bets. You want to have a mix of ideas to take forward.
- Do an effort / value analysis on each idea to rank and prioritise the ideas. This will help you identify where the quick wins and the big bets, as well as those not worth the effort.
- Filter hard but judge ideas based on their merit, not your opinion.
- Shortlist your ideas for experimentation, and keep a record of the ones you've parked – they may be worth revisiting in future.

How we can help

We help you understand which ideas to shortlist and move into the Experimentation phase across your many business functions, based on your company's goals and objectives. **Talk to us** about how we can support your idea prioritisation.

RAPID EXPERIMENTATION PROCESS

Step three: Experiment



Experimentation is at the heart of innovation. Remember: Innovation = Experimentation = Results.

Here's how to get started:

Use Pretotyping to run experiments. Pretotyping, unlike prototyping (where you build something in order to see whether anyone wants it) is the concept of hypothesis-driven testing, designed to quickly get data instead of opinion from customers as quickly and cheaply as possible.

At Exponentially, we use three simple tools to understand assumptions, design experiments and track results. You can use these tools and processes to implement rapid experimentation within your business.

How we can help

We build experimentation capability within your company, with Pretotyping Workshops and Rapid Experimentation Sprints.

Our workshops are designed to create champions within your business to support an experimentation mindset, and build the skills to design and execute experiments quickly and at scale. Our Rapid Experimentation Sprints bring us into your company to lead the experimentation process from idea prioritisation through to hands on experiment design and execution, to ensure skills transfer within your business.

Talk to us about how we can support your experimentation capability.

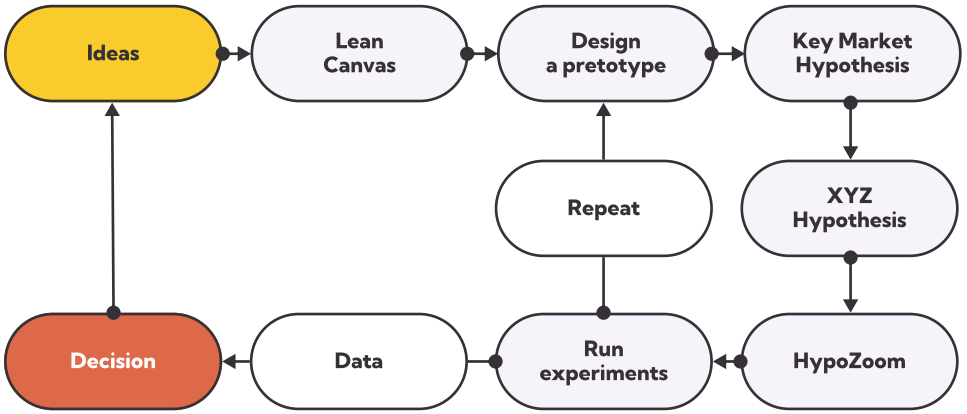
1. The Lean Canvas by Ash Maurya

The Lean Canvas is designed to capture assumptions on a page and allows us to see what we do and do not know about the problem. The Lean Canvas disconnects the idea from the owner to help us remain objective, and creates a safe space to challenge and clarify our assumptions.

2. Pretotypes by Alberto Savoia

Use pretotypes to run three to six experiments, and see whether customers actually care about your idea.

There are a few key stages to running a pretotype:



- Define a **Market Engagement Hypothesis**, based on the Lean Canvas you've created for an idea. This helps us stay on course as we get carried away with the fun of experiments!

- **Define what good looks like** before you start experimenting. A flaw we often see is that experiments are executed without a clear view of what a pass/fail or success rate is, which creates endless churn and rework down the line. This is wasteful, and unnecessary if we define our metrics upfront.

- Next, we use the '**XYZ Hypothesis**' to express our success measures. The format is "At least X% of Y market will do Z".

- From here, it's time to start **experimenting**. Figure out how to test this idea if you were to run it tomorrow. Focus on creating speed to information, with the question "How can I test this for zero dollars in 24 hours?" Most often this isn't quite possible, but it helps frame the urgency and challenge us to think about cost-effective experimentation.

- Based on the idea for your experiment, **choose a pretotype method and run the experiment** on a small sample set of customers (e.g., 100), where you simulate the end product as though it is real, to get valid data. We're trying to test whether anyone cares in the best case scenario at this stage, not to get statistical significance. This comes later, once we establish whether anyone cares in the first place.

- Run your experiment, and **capture your results.** Whether the idea passes or fails, learn from the results. Remember, never stop after one or two experiments. This is not enough data to proceed with or kill an idea – you need to run at least three and up to six experiments to really assess an idea.

3. Rapidly, our experiment management software

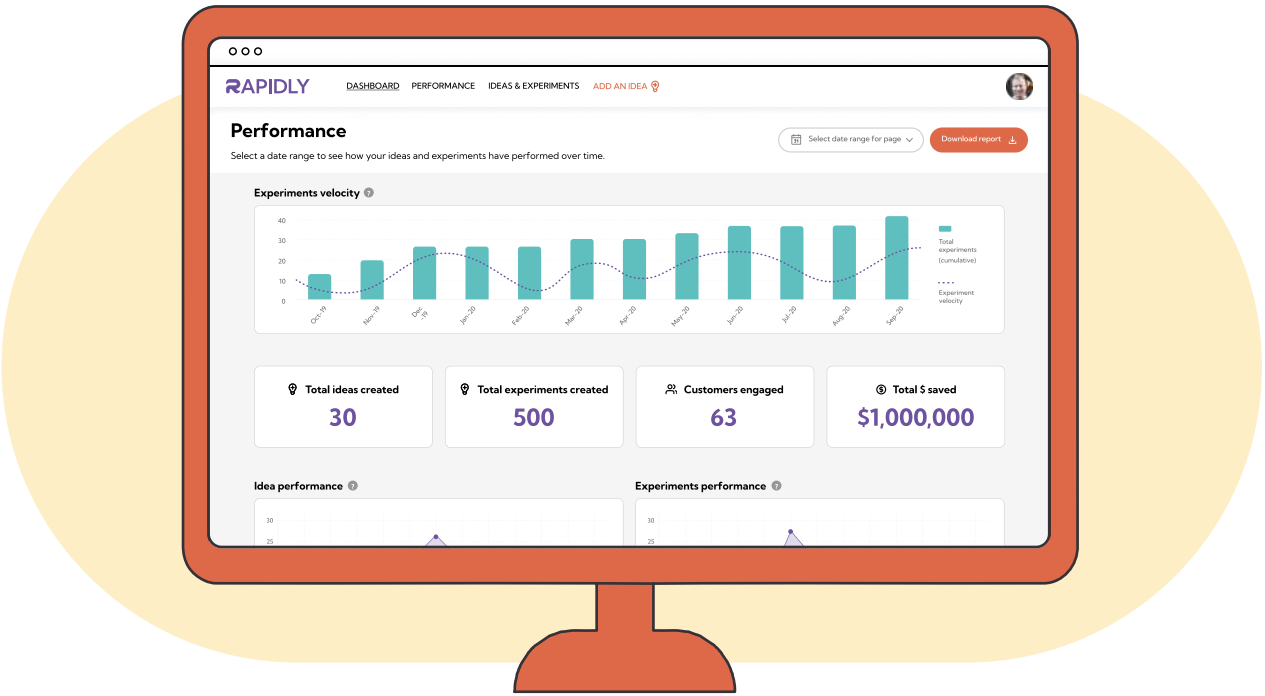
The steps above are simple to execute for one or two ideas. But we know that Innovation = Experimentation = Results, which requires you to run hundreds of ideas. How do you track and manage hundreds of ideas across a complex company?

After three years and over 1,000 pretotypes with Enterprise customers, **it became obvious that it very quickly gets messy to track things like:**

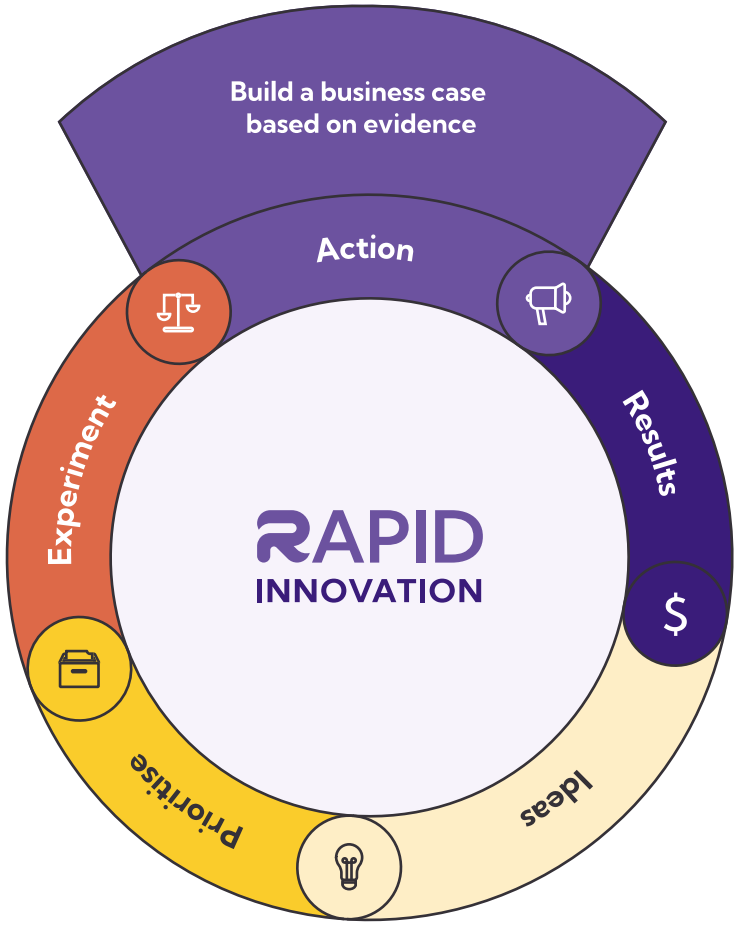
- Who is running which experiment on which customer?
- How many experiments have we run per idea?
- Which experiments are winning?
- How much have we spent on experiments?
- How much have we saved by only investing in winning ideas?
- How many ideas are we running per year?

This is why we build Rapidly, the software solution for finding winning ideas by driving what we call experiment velocity. Companies have been using Rapidly to:

- Discover which ideas are worth investing in
- Keep track of pretotypes, experiments and data. Our first two steps, the Lean Canvas and Pretotyping, are built into the core of the platform to keep everything in one place.
- Report on results
- And most of all, stay on track. With all the competing priorities, Rapidly keeps you focused and disciplined.



Step four: Action



Time to trust the experiments and learning! There is no point running experiments if you're not going to act on the results. Remember that at least 80% of ideas will fail and that is the expected outcome.

Here's how to get started:

- Once you have run three to six experiments on an idea, review the results to validate or invalidate it.
- If the idea is valid, you have a powerful set of customer engagement data to take the next step towards building a business case, obtaining funding for the project or building out your proof of concept.

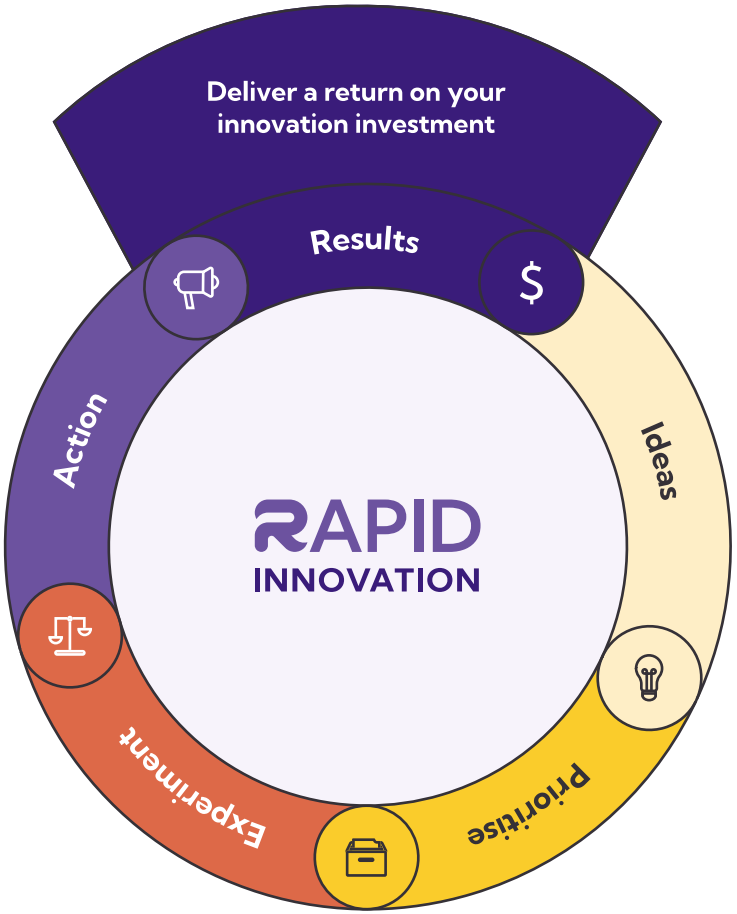
It's way more powerful to say 'we have tested this idea with our customers. Our expected result was X, and we exceeded that'.

- If your experiments fail, kill or park the idea, no matter how much you love it, and move on. Congratulations – you've just saved thousands of dollars and freed up time and people to work on the best ideas that add value to your business!

How we can help

We can help you learn how to synthesise the findings of your experiments to validate and invalidate your ideas, and how to then turn your winning ideas into a business case for implementation. **Talk to us** about how we can help turn your best ideas into solutions customers will love.

Step five: Results



And we've made it! You've implemented steps one through four of the framework, and it's time to experience the return on your hard work. How do you measure the success of your experimentation?

There are two simple metrics for your innovation outcomes, being:

1. How much did you save by not building the Wrong It?

Track how much this idea would have cost to bring to your customers using Rapidly. You'll be surprised at how much you've saved.

2. What was your return on investment

How much value did you add to your business? This could be Revenue, or Projected or Actual Return on Investment from your Business Case. Track this in Rapidly and see how quickly it adds up!

Getting to 100 experiments in a year.

You now have the five steps to building a simple but robust innovation capability. But what does it take to get to running 100 experiments a year within your company? It might seem like a daunting prospect, but with the right mindset and some discipline, it's very achievable.

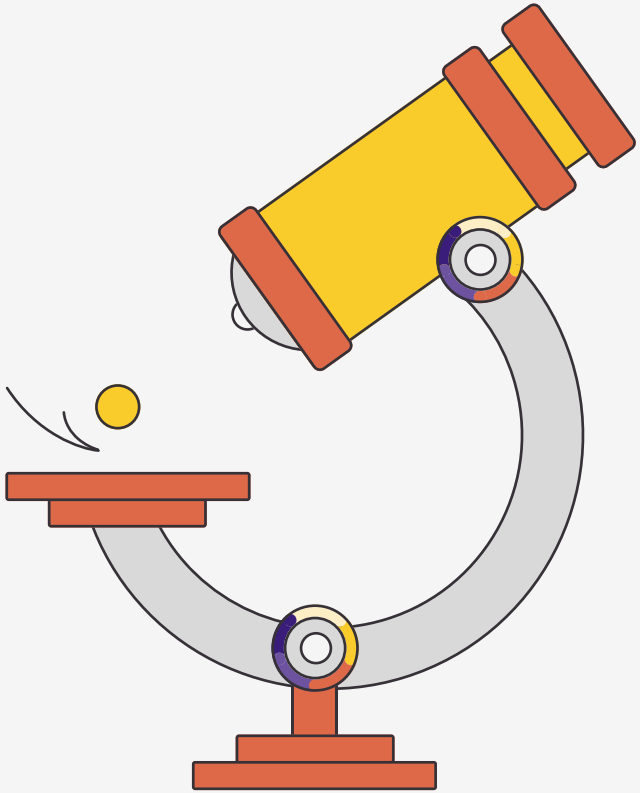
We worked with PEXA, Australia's online property exchange network, to do just this. You can **read all about the process** and how we helped them to embed Rapid Experimentation and pretotyping company-wide in under a year.

You can start the process in your company today.

Use our five steps to Innovate Rapidly and remember – keep it simple!

Ask yourself:

- How do we capture ideas?
- How do we prioritise ideas
- How do we run 100 experiments a year?
- Do we take action on the results or ignore them?
- What are the results of all this investment in innovation and experimentation?



Be disciplined, and do the repetitive stuff well. How? **We've created some simple approaches to start training your team in each stage of the process:**

Ideas

1. Gather ideas once a month
2. Incentivise discussion around these ideas in a central repository or tool

Prioritise

1. Review all new ideas with the relevant ideas once a month
2. Use a simple effort / value analysis to prioritise ideas for experimentation

Experiment

1. Run weekly sessions to create a Lean Canvas and design pretotypes using Rapidly.
2. Execute your experiments.
3. Use Rapidly to run weekly check in sessions for anyone running experiments. For each idea ask:
    a. Have you run an experiment? **If yes:**
        i. Did it pass or fail?
        ii. What did you learn?
        iii. Do you need to run another experiment?
        iv. Can we validate or kill this idea?
    b. **If no:**
        i. What resources do you need to run the experiment?

Action

1. Use the data from your experiments to build a business case. You could motivate a business case by saying, "We believe/think/have asked customers what they think..." – which is just opinion – but it's more powerful to say

> **"We've run 5 experiments on 700 customers and the idea is validated because we expected X% of customers to take action and our results exceed what we expected."**

2. Get the resources and start building!

Results

1. Measure and track your results:
    a. What is your experiment velocity each month? How many experiments are you running? This is a great indicator that the system is working well and you have full support from the company.
    b. How much have you saved by killing ideas fast? This adds up quickly – most clients we've worked with save between 100k and millions in a year.
    c. How much value have you delivered to the company? This could be the ROI of the innovation work, business case values or actual results over time.

Not sure whether this process is for you? Pretotype it!

Run one experiment, and see how you go. You'll be amazed by what you learn about what's really going on, and how hard or easy it is to test new ideas with real data.

That's it. Simple innovation.

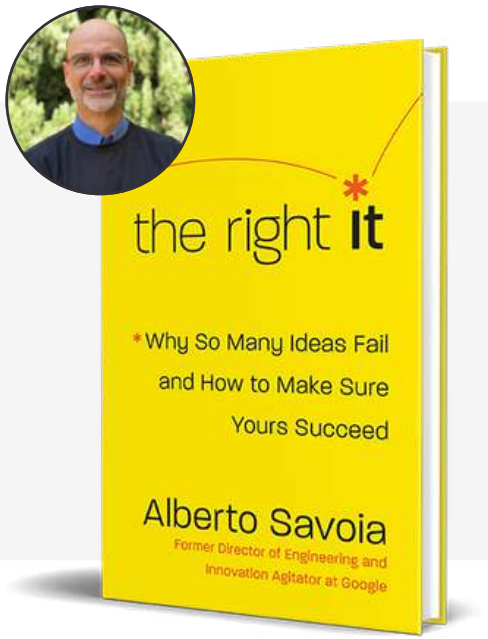
Remember the five steps:

1. Capture ideas
2. Prioritise
3. Experiment
4. Action
5. Results

If you can do these five steps with rigour and discipline, you'll be well on your way to running 100 experiments a year within your company.

Tools & resources

- **Check out our case studies** to learn how other companies have embedded pretoyping and rapid experimentation within their business
- Head to our website and browse our helpful **resources.**
- Learn more about **pretotyping** here, or check out our **online training** to become a Certified Pretotyper.
- Get your copy of **'The Right It'** by the father of pretotyping, Alberto Savoia.



We're here to help.

And lastly, if you need help, we're here. Book a time **in my calendar** to discuss your current innovation challenges and we'll point you in the right direction.

Thank you!

Stay up to date on the latest in enterprise innovation. Join the **Pretotyping in Action Newsletter**, or connect with us on:

LinkedIn **Twitter**

Exponentially **Rapidly**

Grab a time **in my calendar** to discuss your current innovation landscape and we'll point you in the right direction.

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