

Experimentation Transcription



Experimentation is a crucial part of innovation. Some would argue that there's no innovation without experimentation. The Business Dictionary defines innovation as: "The process of translating an idea or invention into a good or service that creates value." And experimentation serves as an engine to innovation. The focus is on the process and the value creation, instead of ideas or inventions and this is where experimentation kicks in, a sort of journey to innovation.



There are a countless number of approaches to experimenting: exploring opportunities, identifying opportunities, gathering feedback, A/B testing, testing and evaluation ideas/solutions, translating ideas into solutions, randomized controlled trials, prototyping, Minimum Viable Product, Design Thinking, Human-Centered Design and the list goes on.



In essence it's just about trying stuff out for three reasons:



1. First is learning - it's about getting answers to questions and testing our assumptions. Learning is growing. Learning is also failing and understanding that there are two sides to the coin. What you learn from failure is just as important as from success. Even the most obvious of things should be tested as it might not be that obvious after all.



2. Secondly, failing is part of experimentation, it's part of innovation. But it is important to fail quickly and cheaply - spending a little to learn and save a lot.

3. And thirdly, saving money: experimentation doesn't need to be expensive though it does need to be measured and documented.



There are costs involved so you need to ensure that allocated resources for experimentation make sense. The risk of doing often outweighs the risk of not doing and the amount of money you will spend will still be much lower than building something on wrong assumptions.



In 2015, experimentation was never central to IBM. It was costly, charged back to business units, followed a rigid process and controlled centrally. The result? IBM ran only 97 tests that year. Then, Ari Sheinkin, took over experimentation and, alongside the CMO, enlisted over 5,500 marketers worldwide to conduct their own tests. To facilitate this process, they installed easy-to-use tools, created a centralized support hub, introduced a framework for conducting disciplined experiments and offered training for everyone. The result? By 2018, the number of annual tests had surged to 2,822.



How can you experiment, doing the least amount of work whilst gaining the highest amount of information possible?

1. Define your purpose.

An experiment needs to have a clear purpose. A clear why. By definition, it's not an experiment if you already know the outcome. So make sure the purpose and scope of the experiment leads to genuine learning that can later help you succeed.

2. List your assumptions.

Make sure to differentiate what you know (facts) from what you think (opinions). For the things you do know, ask yourself "how do you know that it is really true?" List your assumptions, the same way, you would list the pros and cons of making a specific decision.

3. Prioritize your critical assumptions.

Because you may have more assumptions than you'd care to test, it may be expensive and/or time consuming, so place your assumptions in order of importance. Which assumptions, if untrue, would mean you can't succeed?

4. Design and run your experiments.

Keep it simple and design the experiments so that they help you collect as much information as possible with manageable effort and as quickly as you can.

5. Collect data.

Record everything as all the information will be useful at a later stage.

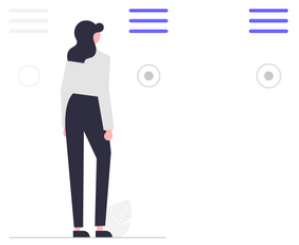
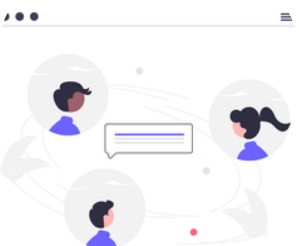
6. Review results and decide on next steps.

Repeat the experiment, run additional experiments or design new experiments as needed.

Most organisations are eager to embrace the idea of innovation, but only a few really understand that you can't have innovation without the pain of experiments, including the necessary failures which will naturally occur. The organizations that can fully grasp this, are often the ones to embrace experimentation as a central part of their ethos.

In December 2017, just before the important and lucrative holiday travel season, Booking.com's director of design put forward a radical new experiment: stripping their home page of the numerous options for hotels, rentals, and travel deals.

In its place, and much like the simplicity of Google's minimalist approach to its search engine homepage, the new page would just feature four fields asking where the customer was going, the dates (start and finish), and the number of people. There would also only be three simple options: "accommodation," "flights," and "rental cars."

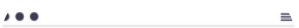




Years of content optimization were meant to be scrapped. Unsurprisingly, Booking.com's CEO wasn't convinced. Notwithstanding, the experiment went ahead for one reason: disallowing it would have violated one of Booking.com's core principles: Anyone in the company can test anything—without management's permission.



Booking.com runs more than 1,000 tests simultaneously and, by some reports, more than 25,000 tests a year. This makes it so that no two customers in the same location are likely to see the same version of the test.



In essence it means that at any given time, quadrillions (millions of billions) of landing-page variations are active. Booking.com isn't the only organization to understand the power of online experiments. Facebook, Google and Amazon have found them to be the most effective weapon in marketing and innovation. All their respective competitors have followed suit making experimentation compulsory for anyone wishing to compete with them.



But if experimentation is so valuable why don't the majority of the organizations do it? The main culprit is culture or in other words, the organizational immune system. The obstacles are usually not technical such as lack of ideas to test, lack of access to customers or knowledge of experimentation). They are instead cultural such as shared norms and beliefs around innovation, preference for avoiding risk and an overwhelming fear of failing.



At Booking.com, only about 10% of experiments generate positive results and for most organizations, this is very difficult to imagine, let alone implement. As such, building innovation and experimentation into your culture is key to help your organization stay on top of the fast-changing external environment.



Here are some ways an organization can build a culture of experimentation:



1. Build experimentation into your key organizational tenets, principles or corporate values. Most importantly, ensure that the remaining principles, structures and processes support it through autonomy, trust and rituals to celebrate learning (and sometimes failing);
2. Cultivate curiosity as a key cultural value. This means people should be asking many more 'why' questions than they usually do. Why did this feature succeed and why did this product fail? Why is this service not fulfilling our customer expectations and how can we make it better? Who are our non-customers and why do they not like our current products?
3. Democratize experimentation by ensuring that everyone can experiment, and that it's not just a privilege of a select few. Otherwise you won't deviate much from the status quo;



4. Instal and make accessible easy-to-use tools. These can include a support centre, a framework for conducting disciplined experiments or training courses and materials available for everyone;

5. Ensure that experiments are properly documented, and that all the information is shared with everyone. You don't want to repeat failures through lack of knowledge or documentation;

6. Make data more important than opinions, especially when such data contradicts strongly your key assumptions. In other words, make objective not subjective decisions;

7. Nail it before you scale it as Nathan Furr and Jeff Dyer, authors of The Innovator's Method said. Start small and conduct your experimentation first, before you make a significant investment of time and resources as recommended by the Lean Startup methodology.



Experimentation connects with other ExO attributes such as Autonomy and Dashboards and is a crucial discipline for any organization wanting to deliver exceptional value to its current and future customers. Jack Welch once said that 'An organization's ability to learn and translate that learning into action rapidly, is the ultimate competitive advantage.'

