Experimentation = Exponential Learning!

openexo | **GROWTH INSTITUTE** SCALE IMPACT & REDUCE DRAMA

An experiment is a testing procedure conducted to validate or invalidate the hypotheses underlying an idea. It produces **concrete evidence** that an idea will work or not.

A **HYPOTHESIS** is simply a guess, assumption or theory, and can be written in the form: "We believe that __"

e.g. "*We believe that **cost** drives our customers' buying decision for our offering.*

Start with The Customer

Who has the problem I am trying to solve? What are their **Jobs, Pains** and **Gains**?
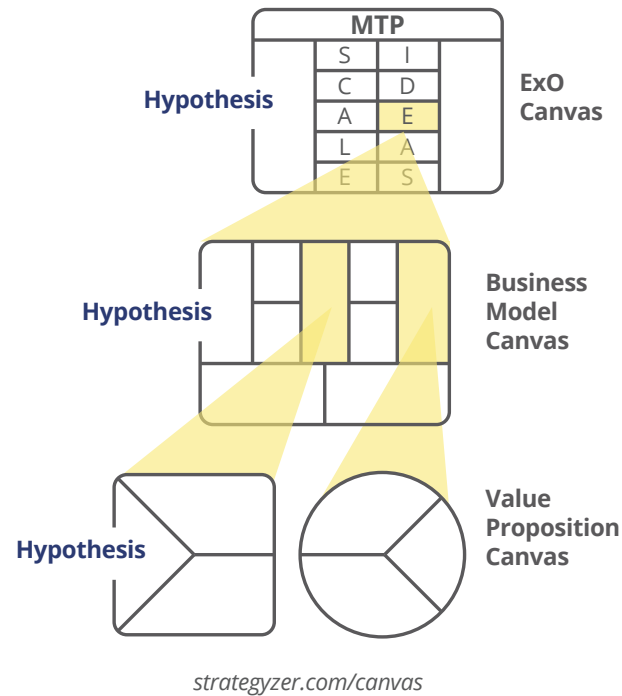
Identifying your customer and learning about their world is critical to validating fit between their **Problem and your Solution**. (*Problem-Solution Fit.*)

Do this **BEFORE** you go to the trouble of building the product and validating your market! (*Product-Market Fit.*)

To control investment risk, shift critical learning as early as possible...

Agile development (such as **Lean Startup**) builds an offering iteratively, testing with the customer, throughout. It **advances** critical learning early, when it is **cheaper and easier** to change direction, *decreasing* risk.
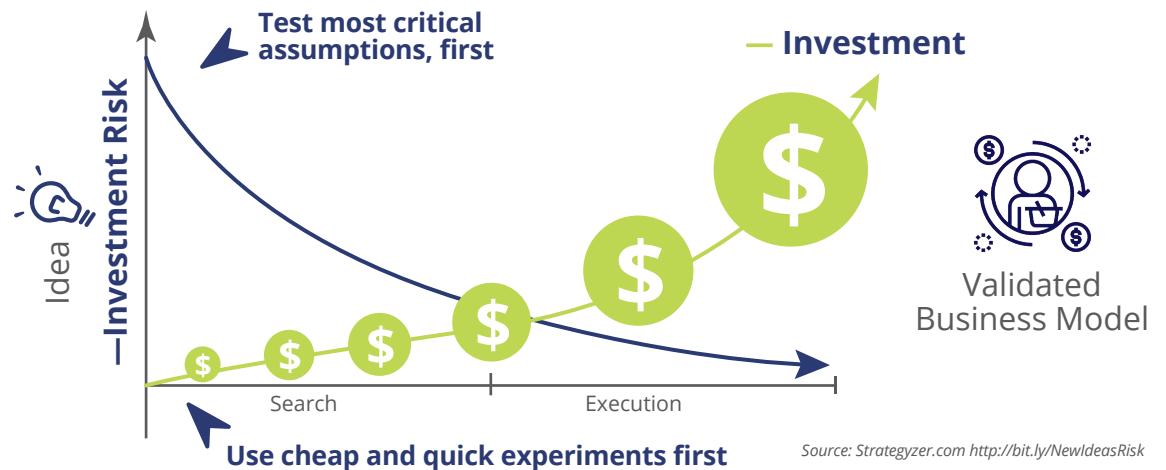
So to control risk, test your most critical assumptions first, using cheap and quick experiments.
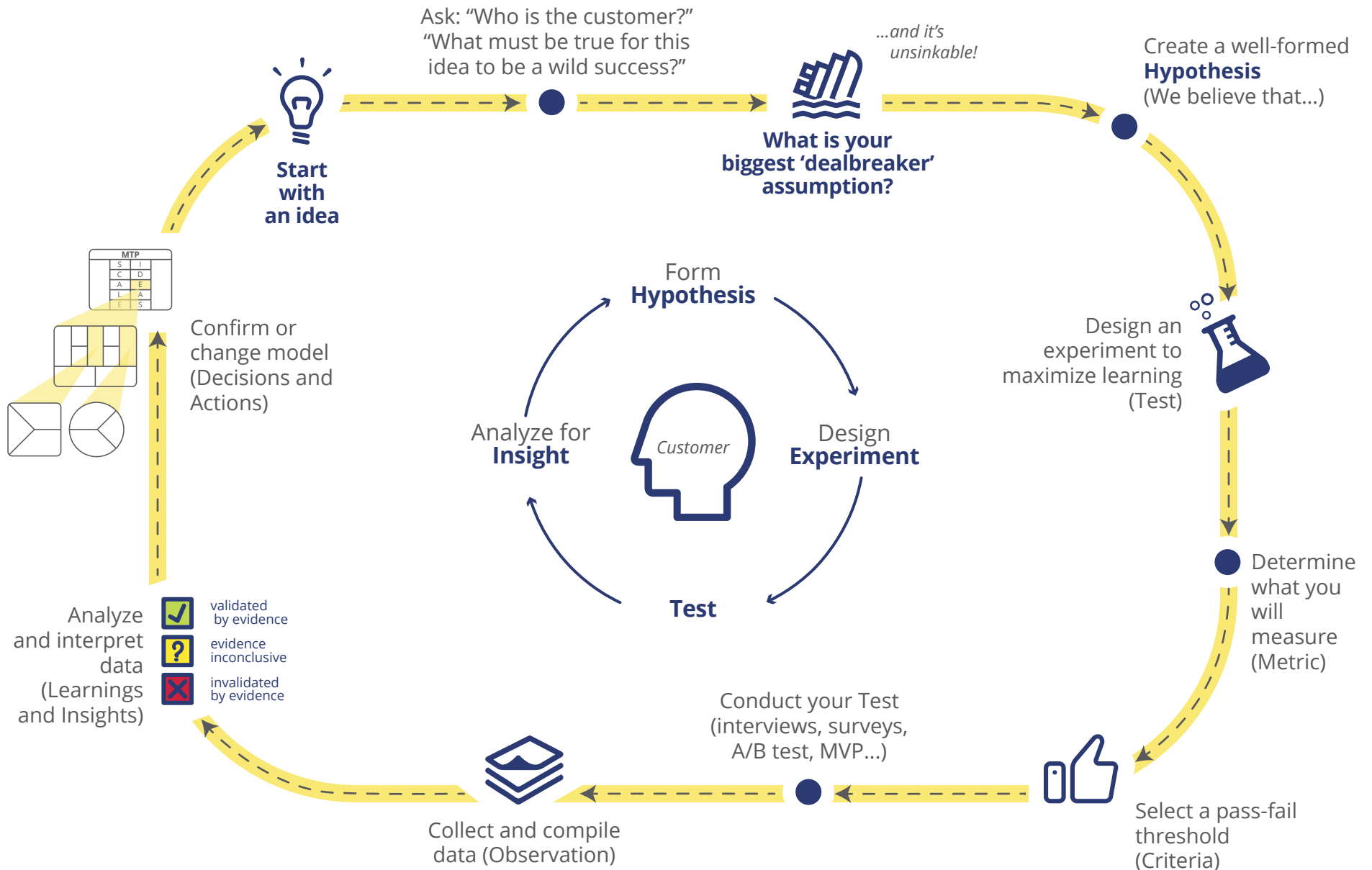
MTP

S	I
C	D
A	E
L	A
E	S

Hypothesis → **ExO Canvas**

Hypothesis → **Business Model Canvas**

Hypothesis → **Value Proposition Canvas**

strategyzer.com/canvas

Principles:

1. Any experiment where you already know the outcome is **a BAD experiment**.

2. Any experiment where the outcome will not change what you are doing is also **a BAD experiment.**

3. Everything else (especially where the input and output are quantifiable) is **a GOOD experiment.**

– Astro Teller,
Chief of Moonshots
Google X

Test most critical assumptions, first

— Investment

Idea

—Investment Risk

$

$ $ $ $ $ $

Search — Execution

Use cheap and quick experiments first

Validated Business Model

Source: Strategyzer.com http://bit.ly/NewIdeasRisk

Experimentation - ExO Experimentation Workflow

openexo | GROWTH INSTITUTE
SCALE IMPACT & REDUCE DRAMA

Ask: "Who is the customer?"
"What must be true for this
idea to be a wild success?"

...and it's
unsinkable!

Create a well-formed
Hypothesis
(We believe that...)

**Start
with
an idea**

**What is your
biggest 'dealbreaker'
assumption?**

MTP

Form
Hypothesis

Design an
experiment to
maximize learning
(Test)

Confirm or
change model
(Decisions and
Actions)

Analyze for
Insight

Customer

Design
Experiment

Test

Determine
what you
will
measure
(Metric)

Analyze
and interpret
data (Learnings
and Insights)

✔ validated
by evidence

? evidence
inconclusive

✖ invalidated
by evidence

Conduct your Test
(interviews, surveys,
A/B test, MVP...)

Select a pass-fail
threshold
(Criteria)

Collect and compile
data (Observation)

Experimentation - Select your Highest Priority Hypothesis

 openexo | GROWTH INSTITUTE SCALE IMPACT & REDUCE DRAMA

In a few words, describe the essence of your idea (ExO Attribute, Business Model, Value Proposition, etc.)

List 6 big assumptions about your idea, asking: "What must be true for this idea to be a wild success?"

Identify your biggest assumption.

- The assumption contains only one variable i.e. *'Cost is the overriding factor in the customer's purchase decision.'*

- It can be framed in terms of true/false or pass/fail

- You are truly uncertain whether it is true or false, and if false, you will CHANGE YOUR IDEA OR MODEL.

- Your BIGGEST assumption, if false, makes it *pointless* to test any other assumption on your list. e.g. *The Titanic is Unsinkable!*

Rewrite your assumption in the form: "We believe that ____"

Now download Test Card, enter your hypothesis and start experimenting!

Example:

Test Card ⚙ Strategyzer

Test Name **Example Test**   Deadline **Soon**
Assigned to **You!**   Duration **Quick!**

STEP 1: HYPOTHESIS
We believe that
customer segment x cares about struggle with problem y   Critical: ⚠ ⚠ ⚠

STEP 2: TEST
To verify that, we will   talk to 50 customers
and give those who struggle a trackable URL pointing to a solution   Test Cost: Data Reliability:

STEP 3: METRIC
And measure   number of customers who clicked on the URL to the solution (actions speak louder than words)   Time Required:

STEP 4: CRITERIA
We are right if
validated if 25 or more customers clicked on the URL to get info on solution

Copyright Strategyzer AG   *The makers of Business Model Generation and Strategyzer*

Download Test and Learning Cards at Strategyzer.com!
https://strategyzer.com/platform/resources
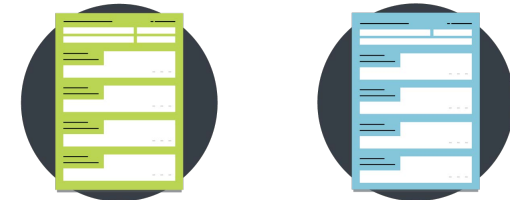
*See **Chapter 4 - Inside the Exponential Organization** in **Exponential Organizations** by Salim Ismail, Michael S. Malone & Yuri van Geest. The Exponential Organizations Master Business Course is a part of the Growth Institute MBD Program. www.growthinstitute.com/exo
Share this tool! https://info.growthinstitute.com/experimentation-tool

Test Card

⦿ Strategyzer

Test Name

Deadline

Assigned to

Duration

STEP 1: HYPOTHESIS

We believe that

Critical: ⚠ ⚠ ⚠

STEP 2: TEST

To verify that, we will

Test Cost: 🪙 🪙 🪙　　Data Reliability: 👍 👍 👍

STEP 3: METRIC

And measure

Time Required: 🕐 🕐 🕐

STEP 4: CRITERIA

We are right if

The makers of Business Model Generation and Strategyzer

Learning Card

Strategyzer

Insight Name

Date of Learning

Person Responsible

STEP 1: HYPOTHESIS

We believed that

STEP 2: OBSERVATION

We observed

Data Reliability:

👍 👍 👍

STEP 3: LEARNINGS AND INSIGHTS

From that we learned that

Action Required:

☑ ☑ ☑

STEP 4: DECISIONS AND ACTIONS

Therefore, we will