

Experimentation = Exponential Learning!

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 ___"

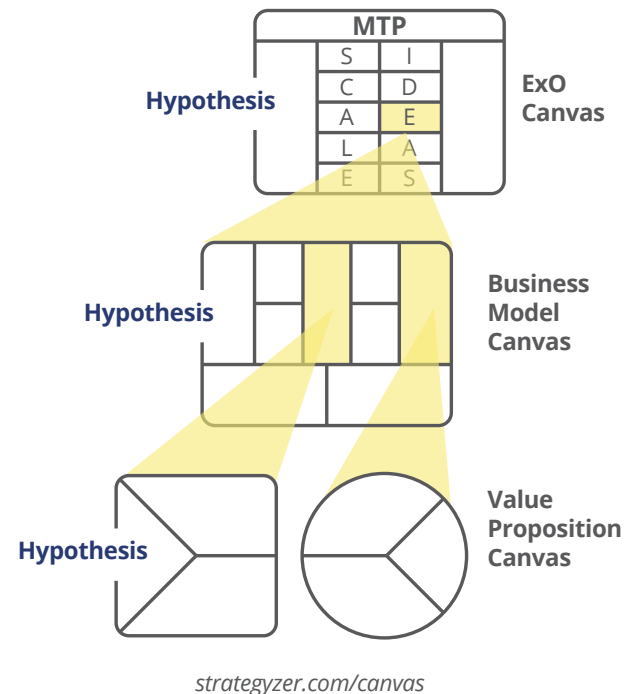
e.g. "We believe that **cost** drives our customers' buying decision for our offering."

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*.)



Principles:

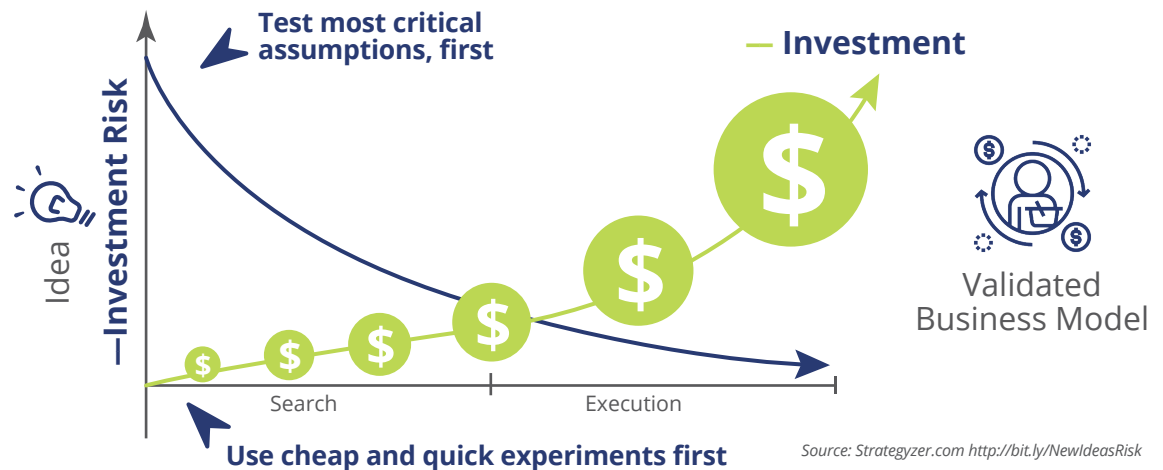
1. Any experiment where you already know the outcome is a **BAD experiment**.
2. Any experiment where the outcome will not change what you are doing is also a **BAD experiment**.
3. Everything else (especially where the input and output are quantifiable) is a **GOOD experiment**.

– **Astro Teller**,
Chief of Moonshots
Google X

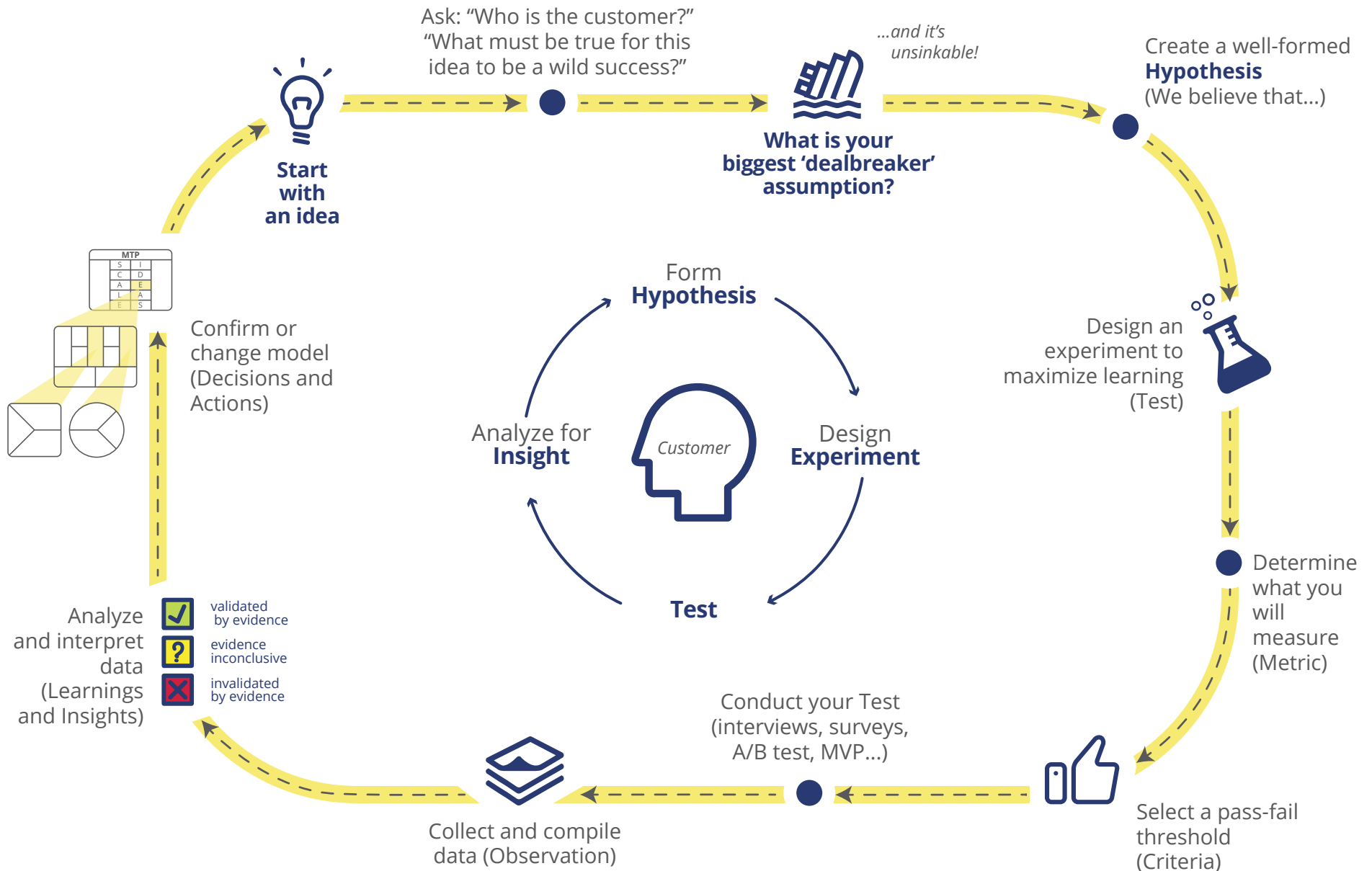
To control investment risk, shift critical learning as early as possible...

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.



Experimentation - ExO Experimentation Workflow



Experimentation - Select your Highest Priority Hypothesis

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

STEP 2: TEST

To verify that, we will talk to 50 customers and give those who struggle a trackable URL pointing to a solution

STEP 3: METRIC

And measure number of customers who clicked on the URL to the solution (actions speak louder than words)

STEP 4: CRITERIA

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

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<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
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