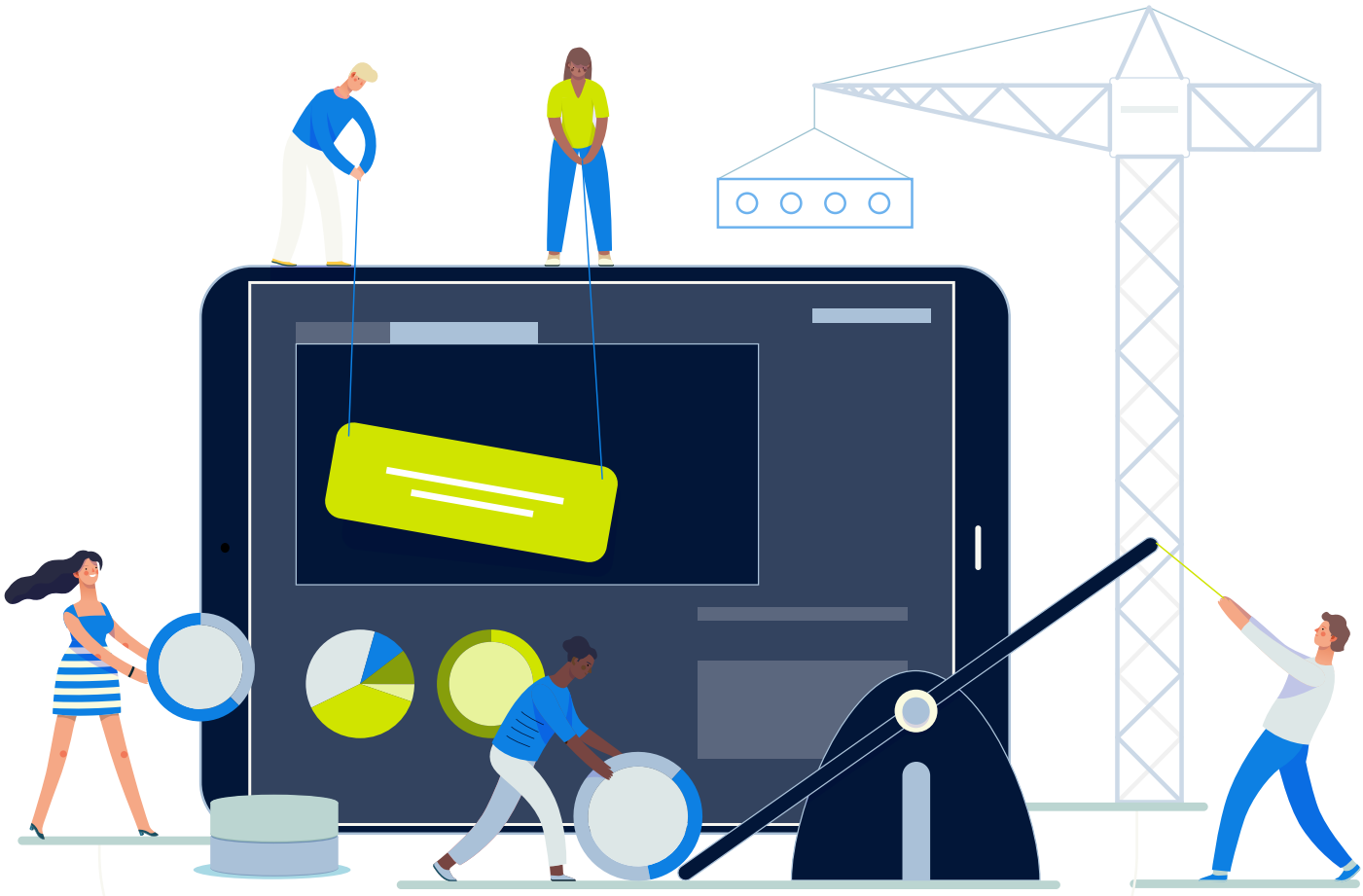
peer insight

Double Your Innovation Team's Credibility

Earn respect through scrappy experiments + transparent results

By Clay Maxwell and Josh Clayton



Fair or not, corporate innovators are judged on (1) How they come across in the building, and (2) How much measurable impact they achieve in the market. The funny thing is, both of those are driven by a third key attribute that doesn't get enough attention: (3) How well they run scrappy learning experiments.

If you told us we had to double our innovation team's credibility, then we would focus 100% of our effort on enhancing their capability to plan + execute scrappy learning experiments. When they come back to the building and truly know what the customer needs – after learning it in weeks instead of months – their value to the organization goes way up.

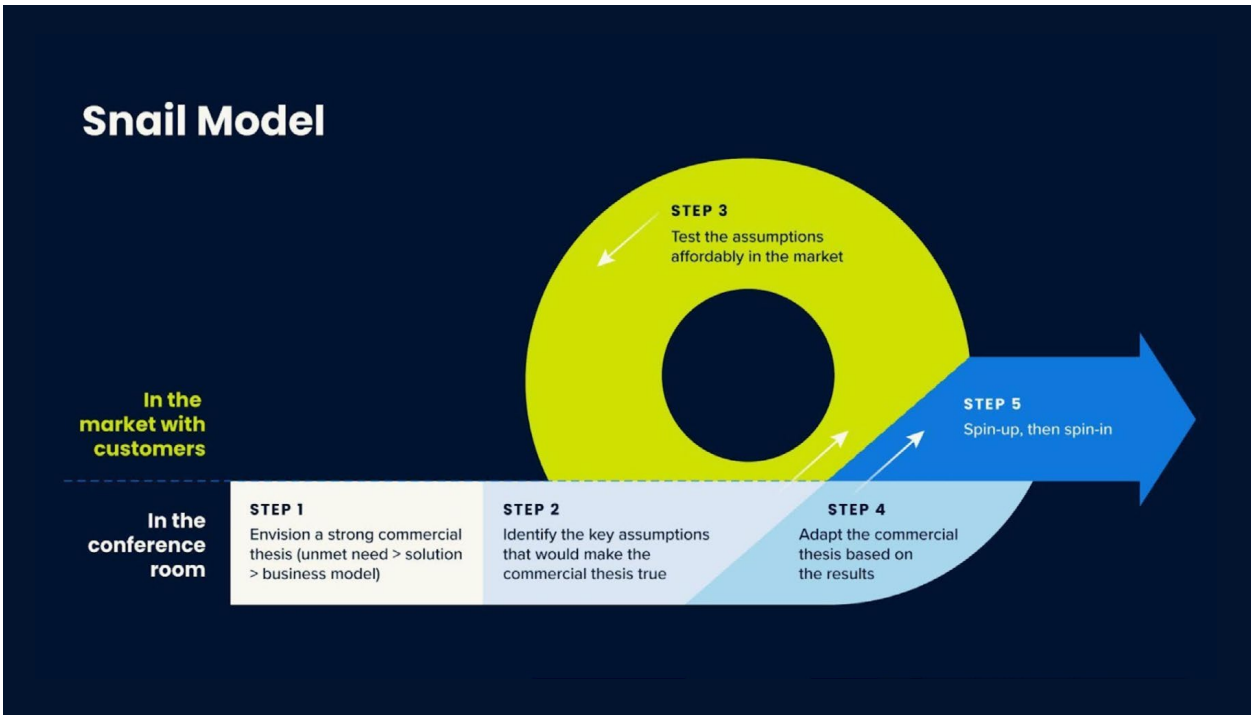
Just watch how differently your teams show up in internal meetings. They let others make assertions about what customers will/won't do, then they calmly say, *"What we found in our field test was that very few customers were willing to [assumed behavior], even though that's what they said they wanted. However, when we offered [unexpected solution], 25 users signed up in just four days to get on a wait list."*

Your core business leaders may not understand the inner workings of innovation, but they understand the difference between growth plans based on untested assumptions and those based on validated customer behaviors. When your team brings them the latter – along with the confidence to show their work – their internal credibility will soar. And once those new solutions are launched, they will perform much better in the market.

De-risking through learning experiments

To help manage the uncertainty of innovation, we spend significant effort identifying the make-or-break assumptions: Assumptions that, if false, would jeopardize the entire plan. The next natural question you may ask yourself is, "How do I know if my assumptions are true?". This is where testing comes in. It helps us determine if these assumptions will make or break your opportunity.

Legendary entrepreneur Steve Blank defined a venture as "a temporary organization in search of a scalable business model." In our view, validating (or invalidating) an untested assumption is the unit of progress toward this goal. That's the primary job of the innovation team. The process looks kind of like a snail, even though it moves fast:



This article focuses on Step 3: Test the assumptions affordably in the market. That's the secret sauce for any innovation team. In fact, their credibility depends on it.

The Fast 5 Field Tests

We design and execute field tests to increase our confidence in assumptions and de-risk growth opportunities.

It's important to note that testing is about confidence, not certainty.

While testing is not a perfect predictor of how an idea will perform in the market, gathering information through tests helps us identify patterns that give us a good sense of whether or not our breakthrough concept will work.

There are five field tests that we wouldn't leave the venture studio without. Let's take a look at them, from lowest fidelity to highest.

1

2D Co-Creation

What is it?

A 2D co-creation test is like a storyboard or journey mock-up, similar to a comic strip. Participants review it and offer feedback on the concepts presented.

When should you use it?

We use this test early on to engage users in shaping a still-malleable concept, test the resonance of a value proposition, and ensure we're engaging the right person.

Pro tip:

Leave a few of the story panels blank, and get the users to fill in those blanks. That's often the white space they need to think hard and generate what they really want.

What it looks like:

In-home 2D co-creation with a very hands-on Young Athlete to develop the Nike Easykicks concept.

2

Lemonade Stand

What is it?

These are physical displays with a sales rep, like a kiosk in a mall or a booth at a trade show. It lets us engage users early to shape a concept, usually with a physical or digital mock-up. Alternatively, you can use a lemonade stand to acquire early adopters for a test, and get their feedback face-to-face.

When should you use it?

Use this test once the idea has taken shape and you're either refining it or seeking early adopters for a live trial.

Pro tip:

We always have high-quality chocolates at our lemonade stands as a give-away. We get a lot more feedback when we can get people to stop for a few seconds.

What it looks like:

An AARP "lemonade stand" test of a new member onboarding experience.

3

Smoke Test

What is it?

A smoke test involves faking a new business without building anything, such as through a **landing page or a pitch deck.**

When should you use it?

Use it to test the resonance of different aspects of the solution. See what messages or promises earn clicks to "Learn more."

Pro tip:

Smoke tests are particularly good for A-B testing. Show the concept from two different perspectives, and see which one generates more interest.

What it looks like:

A landing page and online sign-up "smoke test" for PMI to validate demand for the Snippets concept.

4

Simulation

What is it?

A smoke test involves faking a new business without building While a smoke test fakes a new concept without building anything behind it, a simulation fakes a new concept through a digital simulation of the user experience. The simulation does some or all of the functions the live solution would, but it uses fake data and a non-scalable back-end.

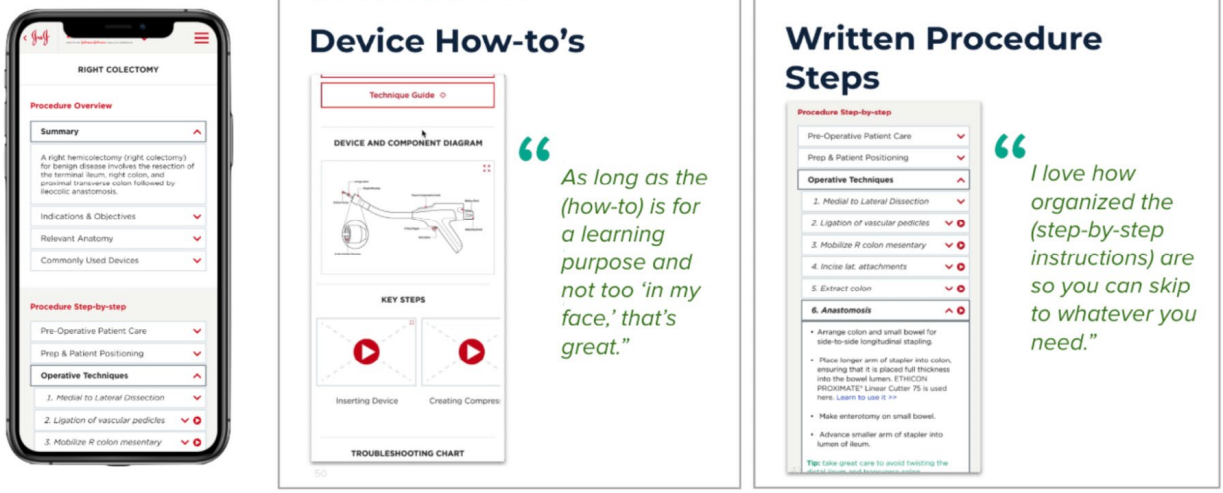
When should you use it?

You should use a simulation as a last step prior to configuring a live trial, as it is an affordable way to garner more data about the desired experience.

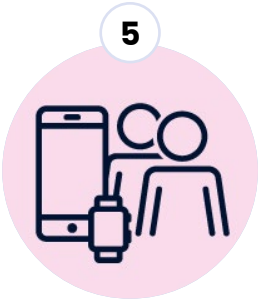
Pro tip:

Keep the simulation focused on the features and benefits, not the mechanics of how you create them. This isn't for technical input, it's for confirmation of the desired experience.

What it looks like:



A digital simulation for J&J Ethicon helped get hte voice of the early career surgeon into the final product.



Live Trial

What is it?

In a live trial, we produce a functional prototype to test either a key component of an idea or the end-to-end experience. This trial persists over days or weeks, whichever is necessary to test the key assumptions.

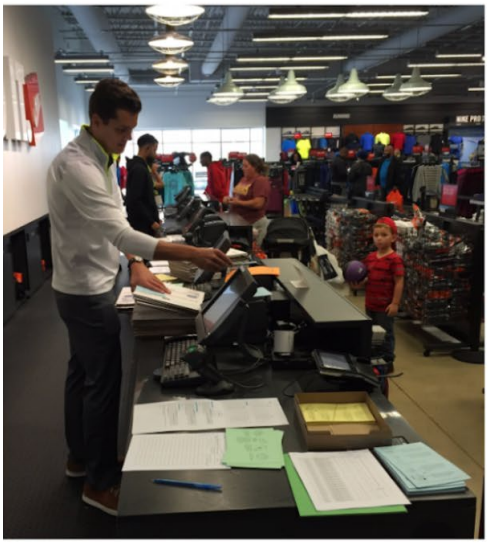
When should you use it?

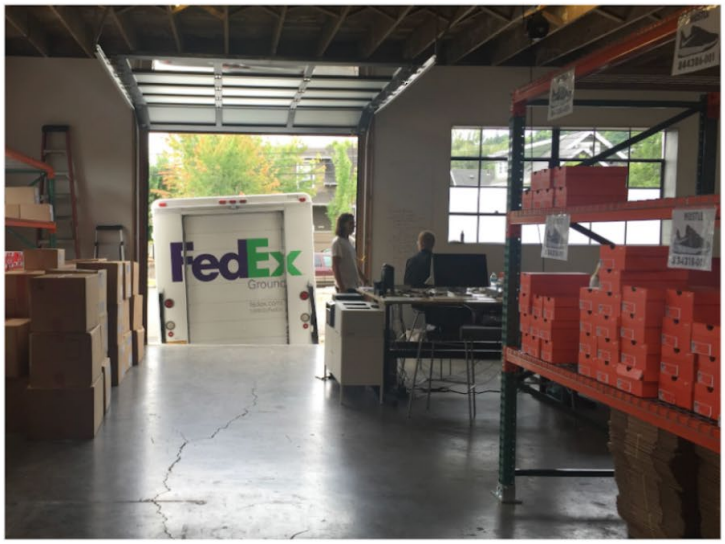
This is the final test you should run before building a first commercial version. You can still afford to pivot easily at this point.

Pro tip:

Most (80%) of the users should fit your hypothesized early adopter, but a few (20%) should be at either extreme, just to stress test your early adopter definition.

What it looks like:





Running a live shoe subscription test for Easykicks at a Portland retail store and warehouse.

So that's it, the Fast 5 Field Tests that we wouldn't want to live without.

Notice how they span the range from generative (at the early stages) to evaluative (when our confidence is higher). The level of fidelity and cost tends to go up as we move from left to right, but the focus is always on affordable learning. Even in a live trial, we want to fake it (affordably, non-scalable) before we make it (hard-coded, expensive, and scalable).

Case Example: Harnessing data for chronic health management

So, what do these five tests look like in practice?

In 2022, a Fortune 500 hospital system came to us with an idea that they believed could help patients with a chronic disease avoid acute episodes that lead to hospitalization. The hospital clinicians had developed a "behavior modification protocol," or Hospitalization Risk Score, that had been helping their patients improve their health condition. The score combined patient data regarding their vitality (from their Apple watch), lifestyle, medications, and activity level to determine a risk of hospitalization. Their question to us was: Can patients outside their controlled environment also benefit from this data? The answer was (as one of our mantras states): We don't know, but we know how to know. The initial data was promising. We were excited. We needed to do some testing.

> Our mantra is: We don't know, but we know *how* to know."

Building an evidence base is the best way to manage the inevitable risk of trying new things in today's dynamic environments.

Unfortunately, the population that suffers from this chronic condition is often targeted by scammers, both in person and online. So, right out of the gate, we knew we needed to build credibility and get this potential customer's messaging right. We recruited 20 people aged 60+ and, through a 2D co-creation test, showed them these concepts at a very high level. We offered slightly different ideas through drawings to see what was most attractive to them. For instance, would they prefer to do this program with a buddy? Would they involve their adult daughter? Did they need the data to be quantifiable, or would rewards motivate them more?

An assumption is an underlying belief about why you think your idea is good. Testing our assumptions before we test ideas helps manage risk.

An important part of this initial testing phase was testing a key assumption: Patients would be motivated by a Hospitalization Risk Score. And guess what? They hated it. They didn't understand if a high number was good or bad. They didn't know what to

do with the number once they had it. And they didn't like being reminded about the possibility of hospitalization.

> We went in thinking patients would be motivated by a Risk Score. Turns out, they hated it."

Back to the (testing) drawing board

Now that we knew patients had an unfavorable view of this framework, we set out to create something more desirable.

We found that patients were much more excited about the idea of turning something around than they were about preventing something. For instance, they were motivated to recover from hip surgery to keep up with their grandkids. They wanted to improve their health to go on a life-changing trip. So we flipped the (negative) Hospitalization Risk Score into something positive - a Vitality Score that patients could work towards.

With our reframed concept, we moved forward with a **lemonade stand test**. We went to places where we could find early adopters - YMCAs, community centers, and retirement communities - to demonstrate the product and test participants' appetite to enroll.

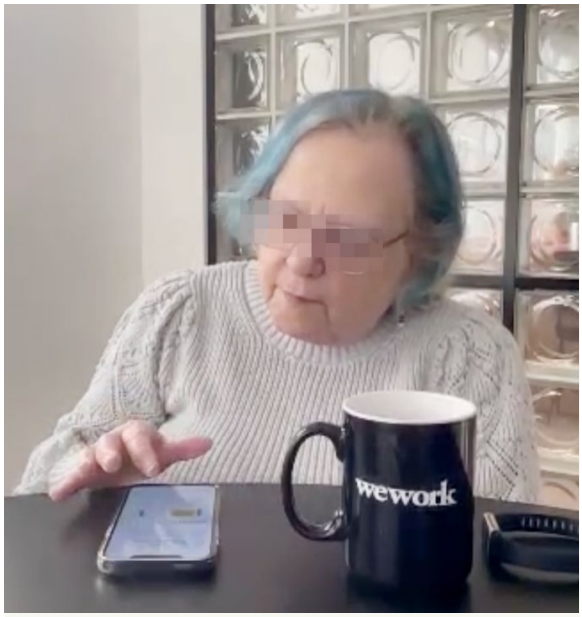
Anthony DeThomas answers questions at a lemonade stand in Naples, Florida.

Following these visits, we continued additional **smoke tests** at assisted living facilities. During these tests, we showcased a pitch deck with some key screenshots of what a six-week program designed to help them improve their vitality would look like. Here, we were pushing on all of our additional make-or-break assumptions, including willingness to pay, the business model, and the revenue model.

Gathering more data

Next, we began conducting simulations. For these tests, we were interested in testing one thing we were worried about: that seniors might be stymied by the Apple watch. For the solution to work, patients aged 60+ would need to both set up their Apple watch, and wear it all the time, and keep it charged – without the aid of a Genius Bar. Would patients in this target audience do that? We had a bad feeling that they wouldn't.

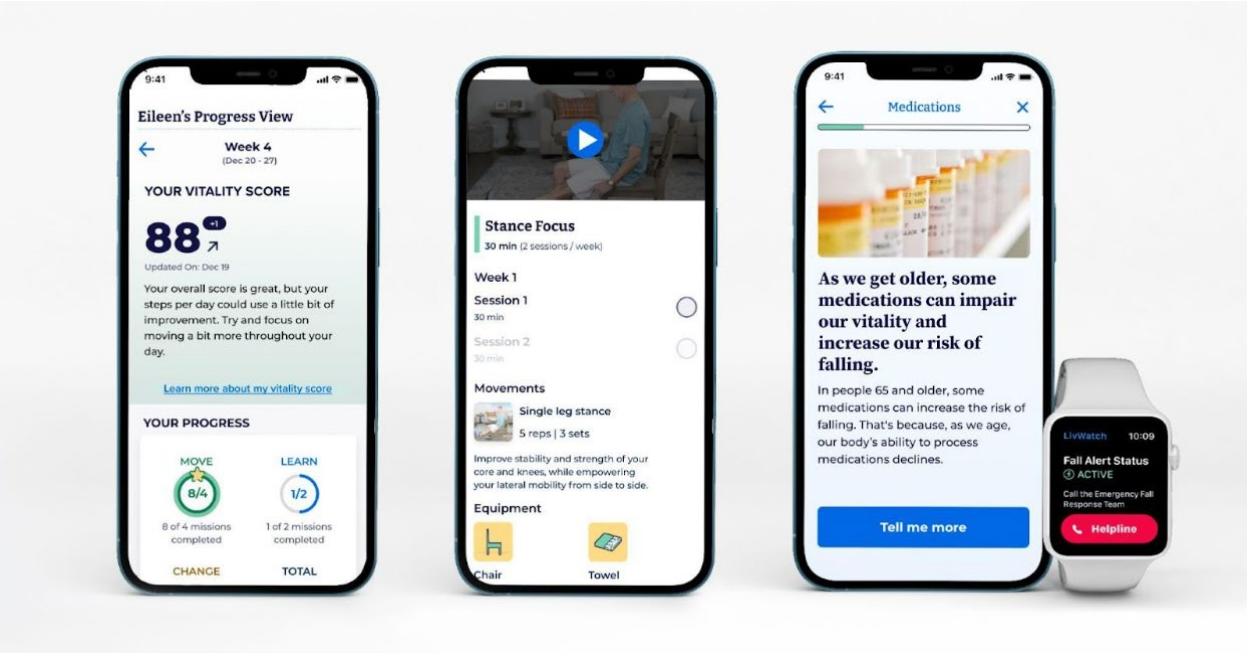
Again, we were surprised! All of the participants in our simulation successfully set up and charged their watches, which was a great sign. It gave us enough confidence to move forward with building an app for a **live trial**.



One of the participants in the simulation, setting up the Apple watch.

Going live

The live trial included eight weeks of content. Every week, participants had a series of activities in their app and on their Apple watch to complete. We tested each user's end-to-end experience to see if they completed the content, if they struggled with anything, and if they were able to improve their vitality score.



We were encouraged by the results. The health system had already achieved over 50% reduction in hospitalizations using a live health coach. Our job was to see if private-pay patients would engage consistently with a virtual coach over the 8-week trial period.

The results were compelling. We achieved an average of 11 visits per week to the app, and at least 60 minutes of engagement with the lessons and activities. The overall satisfaction scores were 8.1 out of 10. With these outcomes, the client team had the confidence to build a full 12-week program and launch with a broader group of 500 participants.

How the Chronic Health Wearable Used the Fast-Five Field Tests

The Innovation Credibility Hurdle

What works against a corporate innovation team is the core business's dual fear that (a) you may be wasting precious resources, and (b) it will be difficult to measure success for a couple of years until new solutions get to market. This isn't their fault; they are simply trying to be good stewards of the organization's brand and capital resources.

As they cast about for leading indicators of innovation success, many organizations scrutinize how the innovation team members conduct themselves inside the building. *Are they smart but not smart aleck-y? Do they ask savvy questions? Do they help me see things in a new light? Do they generate exciting concepts? Do I trust them to get Big Things done?*

Scrappy Learning Experiments = Improved Credibility

The good news is: Big Things are just a collection of small things linked together. And the Fast 5 Field Tests are how those small things get done, brick by brick. Once you have confidence in your learning experiments, you will invariably bring that confidence into the building.

Wielding that confidence still requires some care and attention. Innovation has to earn its place, not win the meeting at the cost to some other constituent. Here are some tips for how you and your team should interact with your internal stakeholders:

1. **Cultivate superb meeting hygiene (in-building).** You are being judged in every meeting, fair or not. So prepare every team member to show up as an ambassador for innovation, and as an ally for the customer and the core business. In particular, teach every innovation team member how to navigate constructive collaboration. If an executive states a belief that contradicts your results, there is no need to disagree. Instead, say, "We looked at that in our experiment and what we found was _____."

2. **Be experiment-obsessed.** Whatever questions come up, view them as input for an experiment. Don't pride yourselves on knowing, but on mastering the process of how to know. That is, how to design and execute an affordable experiment.

3. **Invest in your testing playbook.** Your testing playbook is how you set and improve the standards within the innovation group. And a key part of the playbook must be scrappiness: how to do more with less.

4. **Get out of the building.** Thinking matters, but it's better to be judged by your doing. At Peer Insight, we have a saying that "A bad day in the field with customers beats a good day in the office." Focus on getting in front of customers early and often.

> Thinking matters, but it's better to be judged by your *doing*.

5. **Share transparently.** Seeing is believing, so share the data that results from your experiments. Spell out the key assumptions that you were testing, and show both confirming and disconfirming results with humility. Some people may also be curious about your methods, too, and that's fair game.

A final tip: Mastering the pivot

With the elements above in place, what really cements credibility is when the team pivots on their own initiative. When your core business sees the innovation team walk the walk by changing course in a disciplined way, they know they have a pragmatic ally on their team.

Pivot: To break away from the core focus of a concept in some fundamental way and pursue a new way forward.

Pivots are a test of will and skill for the whole team. It's human nature to get a fixed idea about what we hope to create, but most successful concepts don't turn out exactly as planned. We recommend normalizing the pivot by naming it and planning for it as an eventuality. As they say, if you fail to plan, you plan to fail. A pivot is not a failure, but rather, failing to pivot could be.

Pivoting doesn't have to be as scary as it sounds, as it can be limited to one key aspect of the solution. But innovation success does require us to master its art. To make pivoting a strength, you should set the four de-risking mechanisms shown here:

Disciplined execution requires setting these thresholds explicitly and tracking them. Why are these mechanisms key? Because they help us know when to pivot. You should pivot when you've had a major step backward in your confidence because you've:

- Invalidated a make-or-break assumption,
- Tripped one of the tripwires,
- Failed to reach a milestone and/or
- Had an external event that eroded your confidence in the North Star.

Summary

Of course, there's a lot more to successful corporate innovation than (1) scrappy learning experiments and (2) being able to pivot. However, those capabilities represent a great foundation. Start by building a playbook for the Fast 5 Field Tests. Add the de-risking mechanisms noted above and the ability to pivot. If you invest in these capabilities, your innovation teams will find they are respected by the core business and ultimately successful in fostering new growth.

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