# July 2015 Newsletter

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View this email in your browser                    **20 Years of Discovery Driven Planning**

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## RITA GUNTHER | McGRATH
### Author. Speaker. Consultant.

# *Dear Colleagues,*

This month marks the 20th Anniversary
of the publication of my article with
Ian MacMillan (Mac, to those who know him
well) on Discovery Driven Planning.
The Harvard Business Review has named

**Harvard Business Review**

COMPETITIVE STRATEGY
## Discovery-Driven Planning
by Rita McGrath and Ian MacMillan
FROM THE JULY–AUGUST 1995 ISSUE

it the archive article of the month and it is available to view, in its entirety. You can print,
share or save it, for free, until the end of the month. Click here for the article.

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## *We didn't realize the impact the article would have.*

In the article, we examined why large organizations so often get it wrong when they try
to launch new ventures. We concluded that ventures needed an entirely different way
to plan – one that emphasized learning, redirecting and testing
assumptions rather than the norm of trying to prove that the projections,

made in the absence of any knowledge whatsoever, were right.
We looked at the initially botched Euro Disney venture and walked
through a practical example: Japan's Kao soap venturing into the
floppy disk drive business.

We didn't realize, at the time, what a big impact the article would have. DDP has been one
of Harvard Business Review's all-time best-selling articles, and the principles we wrote
about then, are still fresh and relevant.

**Principles of Discovery Driven Planning**

1. Start with the future and work your way back.
2. Document your assumptions and create a plan to test them.
3. Plan to the limit of what you know, then stop and re-plan.
4. Don't worry about being right, worry about being wrong, as cheaply and quickly as possible.

If these principles sound familiar, it's because they have found their way into a whole new
generation of thinking - along with the development of a number of tools to help with the
process of innovation.

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## *A whole new generation of thinking...*

Some of the best include Alexander Osterwalder's popular and practical tools, such as the
ever-changing business model canvas and his (and colleagues') latest, a neat and colorful
book on value proposition design. My friend and colleague, Steve Blank
has extended the ideas to develop an encyclopedia of tools around the
customer discovery process, which he also uses in his free Lean
Launchpad class over at Udacity. His student, Eric Ries, has spawned a
whole "lean startup" movement around many of these ideas. My friends
and colleagues at Innosight have incorporated DDP into their innovation consulting
practices and in books such as Scott Anthony's The First Mile. In various flavors, the ideas
have also shown up in books such as Nathan Furr and Jeff Dyer's The Innovator's Method.

Oh, I'm sure I've left someone out – ping me and we'll get you in the next newsletter!

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## *11 ways companies sabotage their innovation system and the mach49 "Mothership" Blitz*

I've mentioned mach49 before, the Silicon Valley incubator and accelerator that helps G1000 firms innovate from within. (I'm a faculty partner with them, and really like their thinking.) Their model is to bring teams from client firms to their incubator in Silicon Valley for three-month stretches during which time they take basic ideas and go through the customer discovery process to figure out where a business might emerge.

While at a recent "Mothership" blitz, we realized that when it comes to corporate entrepreneurship there needs to be another strand having to do with how the parent company relates to its new ventures. By definition, the parent firm is most concerned with running today's business. This can lead to the following reasons corporate ventures so often go nowhere.

1. Lack of incentives.
2. The existing business is too powerful.
3. Management wants near-term success.
4. Too many silos.
5. Lack of customer focus.
6. Fear of failure.
7. It's 'no one's job'.
8. Innovations don't get big enough fast enough.
9. We are focused on our quarterly earnings.
10. We are afraid of cannibalizing successful businesses.
11. We have no tolerance for unpredictable results.



How to de-fang these issues and let innovation flourish? We gathered a super-knowledgeable group of experts, design thinkers, entrepreneurs, Silicon Valley natives, designers and even some academics in Half Moon Bay for a fast-paced "blitz" on the topic. Here's one of the ideas we're playing around with: create a "pirate school" for venture leaders and an incubation session for those 'back home' that would mirror what the teams in the incubator are doing. More to come as the ideas develop (we are, naturally, taking a 'discovery driven' approach).

And in a milestone for me personally, it was the first time I've ever had an exercise named after me – they call it the "YesaRita" exercise.

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## *Latest Articles*

When is a competitive move not necessarily what it seems? When it's a gambit. In this Fortune piece, I describe a way of looking at Delta Airline's recent decision to refuse to allow bookings from third parties (such as TripAdvisor) in favor of persuading customers to book on their own web sites.

The labor movement may as well be left for dead, right? Well, not so fast. In a move that I think is an interesting potential harbinger of things to come, the employees at the hip new media company, Gawker, actually voted to create a union! I think it reflects the reality of the transient advantage economy – when the economic environment all around you is turbulent, it's comforting to think there may be someone looking out for your interests.

Part of the trouble with corporate entrepreneurship is that many of the financial tools managers rely on to make decisions measure all the wrong things from the perspective of innovation. I elaborate on that thesis in this Wall Street Journal Experts column.

## *In the News*

This article describes how transient advantage suggests the need for an entirely new leadership model.

I'm very intrigued by the idea of colleague Alexander Osterwalder of the need for a Chief Entrepreneur in large companies as a new role, reporting to the Chief of the Board of Directors.

End of Competitive Advantage has been included in a list of the best business books ever written. Isn't that nice? I'm quite flattered.

And, why is it that banks are so resistant to innovation? Marketplace Radio probes into this question.

Should managers read academic articles? I found it interesting that my work was cited as one reason to do so!

An interview with Sarder TV covered a wide ranging discussion of the new practices required to be effective in the transient advantage economy.

## Into the mainstream?

It's lovely to have the opportunity to reflect on work that I did when I was just starting out at Columbia in the mid '90's. At that time, all the cool kids in strategy were studying industry

dynamics and the (gasp!) wonders of Japanese management practices. The few of us working on corporate innovation were sort of huddled together for warmth! Since then, there has been an impressive body of knowledge created on how to innovate with more agility, less risk, and more learning.

I see the big tasks now as tackling some of the institutional factors that fly in the face of what we know in order to define what needs to be done to help organizations become more innovative. Our financial system is built for exploitation-stage businesses, not for those that are emerging or disappearing. Our employment system still assumes progressive career 'ladders' rather than accumulating skills through gigs. Our legislative and regulatory environment is not built to learn. The result is that unintended consequences are rife and seldom corrected. And, don't even get me started on education.

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**The optimist in me believes that if we can diffuse the learning we've done on corporate innovation, we can make some headway in these other areas, as well.**
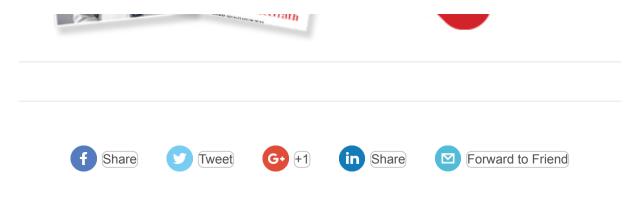
### All the best,

# Rita

### Password for the "Tools" Section of My Website

To access the tools part of the web site (downloadable diagnostics, quizzes, spreadsheets and other cool stuff)  go to the RitaMcGrath.com website and use the password - **mcgr8th!** *(the exclamation point is part of the password).*

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