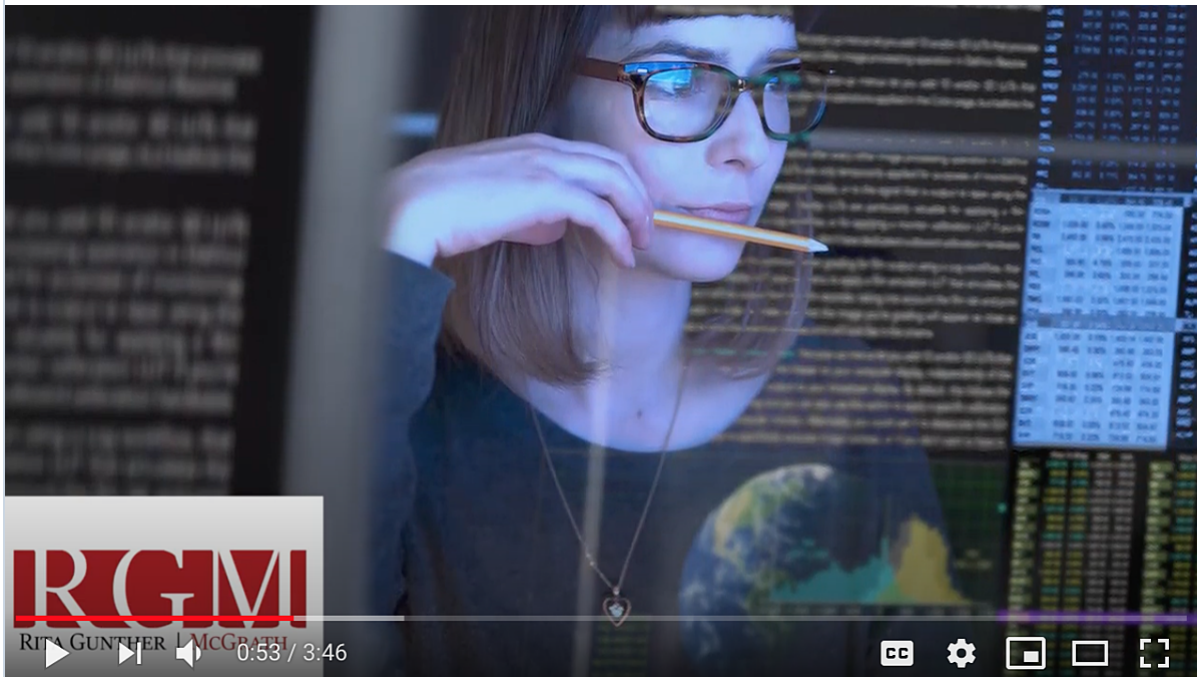# RGM NEWSLETTER
RITA GUNTHER | McGRATH

Designing Business Experiments

May 2020

Dear Colleagues,

As the COVID crisis drags on, casting us all into the world of having to make assumptions, rather than being able to rely on facts, a question I get a lot is how to design checkpoints or experiments to learn more about our new reality. In this newsletter, I'll introduce you to some design principles and describe four examples that you might find helpful as you navigate your own reality.

Before moving on with the examples, a few design principles.

Spell Out Your Hypothesis

Like a scientific experiment, the first principle of designing a business experiment is that you need to spell out what hypothesis, guess, or assumption you want to test and what metrics will tell you what you learned. I see way too much of people rushing willy-nilly into designing surveys or interview protocols without clearly identifying

what they hope to learn from it, and what evidence they'll need to support their conclusion. You can think of this as a good dependent variable.

Don't Lead the Witness

Have you ever had this experience? You have an encounter with a car dealer or an internet provider, and they ask permission to send you a follow-up survey. You say yes, and the survey comes to you with the "excellent" column conveniently filled in, and the suggestion that if you had any other experience than "excellent" that you connect with the service provider, or worse, not send in the survey! What is going on here is the product of clumsy efforts, often by headquarters, to find out what is really going on in the field. If they land on their field operations people like bricks if customers report less than stellar experiences, then the field operations people have absolutely no incentive to provide honest responses. If you really want to learn via this feedback process, you have to be willing to hear the answers!

Use the Right Data Sources

The difficulty I often see here is that people over-rely on focus groups and surveys, without thinking through what the right source of a particular answer might be. You need a relevant sample, ideally one that reflects your intended future interactions. You also need to think through the entire "job to be done" of your potential customer, recognizing that even if your offering works as intended, other elements of the experience can be unsatisfying.

With that behind us, let's have a look at a few interesting examples of experiments that were used to learn essential lessons for success.

Buffer and the Smoke Test

Buffer is a service that allows people to space out social posts without having to pre-determine the timing. Joel Gascoigne, Buffer's co-founder, got the idea from his own frustration about how clunky it was to try to tweet more consistently. He wanted to test whether anybody else shared his frustration.

So he built what is sometimes called a "smoke test," an offer of a product that doesn't exist yet. He built a very simple two-page website. The first page pitched "Tweet More Consistently with Buffer." If a user clicked on it, they were taken to a second page, with the heading "Hello, You Caught Us Before We're Ready" with a place for people to enter email addresses if they were interested.

A third webpage was created to test pricing hypotheses — and again, as Joel says, most people weren't interested in paying, but enough were that it convinced him to

build the product. Subsequent decisions involved how complex to make it and how many platforms to support — he ended up keeping it very simple and supporting only Twitter, at first, in 2010. The experiment worked! Buffer's 2018 revenue was $18,346,077, not bad for a website that started as smoke.

Peter Kooman at Optimizely on A/B Testing

As Peter Kooman, co-founder and president of Optimizely and author of a book on A/B testing, describes, the Obama campaign faced a thorny challenge with its digital marketing. As visitors to the various campaign websites made their way from landing on the website to signing up for an email list to being emailed solicitations for support, the organizers noticed a pattern. The campaign was effective at getting people to the website, and at getting those who signed up for the email list to become paying donors or otherwise get involved. The weakness was that website traffic wasn't readily converting into email signups. And nobody knew why.

So they did an A/B test, in which visitors are offered different versions of the same website to determine which version works best at achieving the desired outcome. On the button side, they tested four statements:

- Sign up
- Learn more
- Join us now
- Sign up now

On the imagery side, they tested several different images, including a talking head piece, a family image, an inspirational speech, and a rally in Springfield. They used both static images and videos, with everyone on the campaign assuming the videos would do a better job of attracting customers.

It turned out that viewers responded most favorably to the "learn more" button, combined with static family imagery, contrary to expectations. And this was no small difference — the "winning" combination outperformed the original by about 40 percent. And with some extrapolation, Kooman suggests that the impact could have counted for as much as an extra $60 million in donations to the campaign.

Read more

Vote for What's Next

As we are thinking through what actions we can take in navigating through the crisis, I've been considering creating some new offerings that people might find to be helpful. But, in the spirit of this newsletter, without some experimentation, we're just flying blind! So I would love to get your feedback on what I should work on next, which you can give me by taking this super-short survey.

Reading List

A curated roundup of interesting articles to get you thinking:

- **To Go or Not to Go: That is the Question.** This thoughtful piece explores the conundrum facing college-bound students. (Julie Lythcott-Haims)

- **What Past Disasters Can Teach Us About How to Deal With COVID-19.** This interview with technology historian Mar Hicks reveals the role disasters have played in shaping society. (Technology Review)

- **Meet the Low-Wage Workforce.** In my fascinating recent "Fireside Chat" with Zeynep Ton, we discussed this Brookings study on low-wage workers—and why we need to make these jobs good jobs. (Brookings)

Upcoming Events

May 22: Fireside Chat With Jeffrey Pfeffer (Virtual)
Every assumption we've made about the workplace is up for grabs in the midst of the COVID-19 crisis. In this chat, I'll be talking to one of the world's leading authorities on just this topic, Stanford's Jeffrey Pfeffer, author of *Dying for a Paycheck*. We'll discuss what's likely to change and what isn't, and how to come out of this crisis with healthier, safer, and better workplaces.

May 22: Collaborate for Growth (Virtual)
I'm delighted to be keynoting the virtual edition of Collaborate for Growth, organized by EEX Oy and Technology Industries of Finland, where we'll be discussing how to rethink strategy when the future is full of "unknown unknowns."

May 28: ICD National Conference (Virtual)
Join the Institute of Corporate Directors for a day of conversations with top directors and governance experts as they share insights and perspectives on what recovery and

resilience could look like in the midst of our "new NEW normal."

May 29: Fireside Chat With Geoffrey Moore (Virtual)

Geoffrey Moore is one of Silicon Valley's best-known authorities on innovation and disruption, beginning with his hugely influential book *Crossing the Chasm* to his latest, *Zone to Win*. We'll discuss his latest thinking, what company leaders should be paying attention to now, and where tech and disruption are headed.

June 2: Leading Indicators of the Future: COVID-19 Edition (Virtual)

In this webinar, presented by WARC Talks & Columbia Business School's Center on Global Brand Leadership, I'll lead a discussion of how to spot leading indicators, how to create an early warning system that detects shifts affecting your brand quickly, and what possible future scenarios might be.

June 5: Fireside Chat With Amy Edmondson (Virtual)

Psychological safety is now recognized as one of the most fundamentally important elements for high performance, for creativity, for intelligent risk-taking, and even for safety in life-threatening circumstances. I'm just thrilled that Amy Edmondson, inventor of the concept and author of the recent book *The Fearless Organization*, will be joining me to discuss where the idea came from, how it has evolved, and how it is critically important for all of us to understand today.

June 9: ISPIM Innovation Conference (Virtual)

I'm thrilled to join the International Society for Professional Innovation Management for a conversation on "innovating in times of crisis."

June 12: Fireside Chat With Paul LeBlanc (Virtual)

We are all wondering what the future holds for higher education. Paul LeBlanc has some ideas. As President of Southern New Hampshire University, Paul has presided over one of the most amazing transformations in the history of higher education. The school has experimented, learned, and today is one of the fastest-growing colleges in the country. We're going to talk about his perspective on student "jobs to be done," how to make college more accessible and affordable, and what the possible scenarios are for when students return to campuses next fall.

June 15 - July 10: Women in Leadership (Virtual)

The latest iteration of this Columbia Business School program will take place in a live, virtual setting. Focused on women's advancement, this innovative program will provide participants with the knowledge, skills, tools, and real-time problem-solving

needed to further the advancement of women in leadership roles. This program consists of 24 sessions spanning four weeks. Take a look at the agenda here.

June 17: The Recovery Summit (Virtual)
I'm thrilled to be joining fellow thought leaders in sharing the strategies, mindsets, and tools needed to restart business as the global economy begins to reopen.

Interested in having Rita offer a virtual workshop, webinar, or keynote?

Learn more

In the Press

- Inflection Points in the New World of Business (Columbia Bizcast)
- Strategic Disruption: An Expert's Thoughts on Moving Forward (Journal of Accountancy)
- Seeing Around Corners (Structural Shifts Podcast)
- What Will a Post-Pandemic Economy Look Like? (Gulf News)
- What Gives Business Leaders a Competitive Advantage? (CMS Wire)

Where there is uncertainty, there is also opportunity.

Here's to your next advantage! - Rita

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