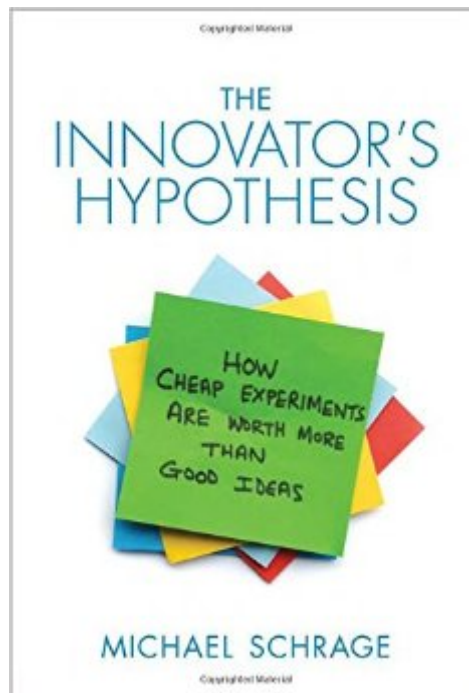


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# The Innovator's Hypothesis: How Cheap Experiments Are Worth More Than Good Ideas (MIT Press)



## Synopsis

What is the best way for a company to innovate? Advice recommending "innovation vacations" and the luxury of failure may be wonderful for organizations with time to spend and money to waste. The Innovator's Hypothesis addresses the innovation priorities of companies that live in the real world of limits. Michael Schrage advocates a cultural and strategic shift: small teams, collaboratively -- and competitively -- crafting business experiments that make top management sit up and take notice. He introduces the 5x5 framework: giving diverse teams of five people up to five days to come up with portfolios of five business experiments costing no more than \$5,000 each and taking no longer than five weeks to run. Successful 5x5s, Schrage shows, make people more effective innovators, and more effective innovators mean more effective innovations.

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## Customer Reviews

My team provides the experimentation platform for most online experiments at Microsoft (e.g., search for exp-platform), and I have been running online experiments for 12 years now, with Bing running about 10,000 experiments per year, so I know something about online controlled experiments. Michael Schrage quotes me a few times in the book, and encouraged me to write an unbiased review. The book is written extremely well, and the overall message is absolutely spot on: most organizations would benefit from running cheap experiments and iterating quickly. In many cases, organizations get into analysis-paralysis instead of running simple experiments; worse, deep

analyses often come late and have low predictive accuracy. The 5x5 approach advocated by Michael Schrage says "Give a diverse team of 5 people no more than 5 days to come up with a portfolio of 5 business experiments that cost no more than \$5,000 (each) and take no longer than 5 weeks to run." My key observation is that the author proposes a solution with a plan to a problem, and violates his own advice to avoid such solutions. He's asking the reader to believe in exactly what he's asking others to suspend doing. There are many possible ways to get an organization to be data-driven. Is 5x5 better than others? Having been humbled by many good ideas that don't perform as well as people hope, I'm not sure there's data to say that the 5x5 proposal is dominating. In the paper "Online Controlled Experiments at Large Scale" there's a section on the "Cost vs. Benefit and the Ideas Funnel" where prioritization of ideas is discussed, a mechanism that aligns more with the author's statement that "Experiments need to be seen and managed as investments" and less with the 5x5 approach.

I am sure the author is a very effective consultant. He knows his stuff. He has a lot of experience. But, this narrow subject just does not warrant a whole book. A 10 page essay would have more than sufficed. The writing is so repetitive because the author struggles to spread 10 pages worth of content over 200 pages of print. It just does not work. The title of my review indicates the author repeated his 5x5 concept a hundred times throughout the book. And, that's probably a lowball estimate. But, the book has other weaknesses. There is nothing magic about the number 5. Although 5x5 etc... has a good ring to it, there is an unlimited way of gathering resources to conduct short-term, rapid feedback experiments. You can indeed try 5 different concepts with teams of 5 people each costing no more than \$5,000, over a 5-week period. But, many innovations have been done with a single person, trying a single concept, costing close to nothing, with near immediate feedback in this Internet age. The single innovator may succeed not by trying very different concepts but by iteratively honing and tweaking his original concept and watch live the performance of his last iteration. That's a similar approach the author indicates that Edison, Jobs, , and other innovators have used. So, the author clearly understands this. But, it does contradict his 5x5 dogma. Regarding designing rapid low cost experiments, there may be some avenues the author did not explore. Within the book, I did not see any mention of internal prediction markets that are used by many hi-tech companies to quickly differentiate what projects are successful.

As I began to read Michael Schrage's latest book, I was again reminded of a passage in Paul Schoemaker's latest book, *Brilliant Mistakes*: "The key question companies need to address is not

'[begin italics] Should [end italics] we make mistakes?' but rather [begin italics] Which [end italics] mistakes should we make in order to test our deeply held assumptions?" This is precisely what Anjali Sastry and Kara Penn have in mind when introducing, in *Fail Better*, what they characterize as a better approach to innovation: designing smart mistakes, learn from them, and thereby achieve greater success and do so sooner. Peter Sims has much of value to say about this strategy in *Little Bets: How Breakthrough Ideas Emerge from Small Discoveries*. As he explains, "At the core of this experimental approach, little bets are concrete actions taken to discover, test, and develop ideas that are achievable and affordable. They begin as creative possibilities that get iterated and refined over time, and they are particularly valuable when trying to navigate amid uncertainty, create something new, or attend to open-ended problems." In *Serious Play* (1999), Schrage introduces several core concepts that he develops in much greater depth in this, his latest book. The 5x5 X(experimental)-team approach is a rapid innovation methodology emphasizing lightweight, high-impact experimentation, as follows: "Give a diverse team of 5 people no more than 5 days to come up with a portfolio of 5 business experiments that cost no more than \$5,000 (each) and take no longer than 5 weeks to run." Schrage adds, "the 5x5 seeks an 80/20/20 vision."

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