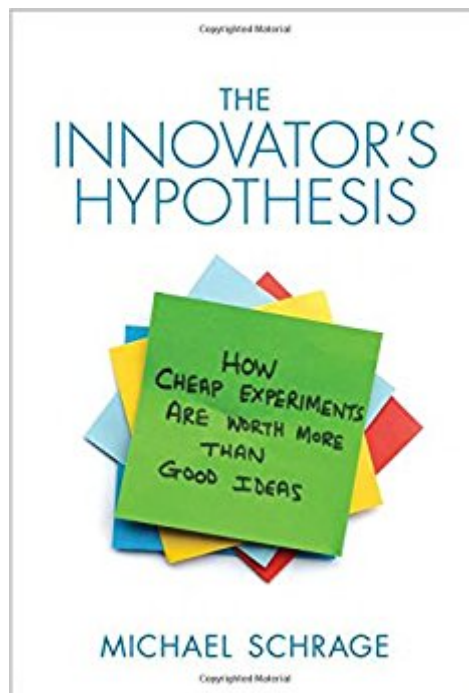




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# The Innovator's Hypothesis: How Cheap Experiments Are Worth More Than Good Ideas (MIT Press)



## 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.

## Book Information

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## Customer Reviews

In a world where intuition too often rules, it is important to realize the value of testing and exploring the world around us. In The Innovator's Hypothesis, Michael Schrage provides a practical guide for a simple and promising way to force ourselves to do better for ourselves, our customers, and society as a whole. (Dan Ariely, James B. Duke Professor of Psychology and Behavioral Economics, Duke University; author of Predictably Irrational and The Upside of Irrationality)Michael Schrage has created a powerful and practical guide for innovators in organizations large and small. He vividly illustrates that the road to a bold and brilliant future is often best travelled in steps that are

simple, small, fast, and frugal. You'll never think the same way about innovation. (Andy Sieg, Managing Director, Bank of America Merrill Lynch) This is a really terrific book. The style is disarmingly casual but Schrage makes important fundamental points about how business could and should explore experimentation to create profitable innovation. (Jim Manzi, Chairman, Applied Predictive Technologies) If you, like me, believe that ideas are worthless in the context of innovation, this is the book for you. Michael Schrage presents us with an excellent methodology, using business hypotheses and rapid experiments, along with lots of examples, for accelerating the innovation process, rather than just getting stuck on ideas. (Brad Feld, Managing Director, Foundry Group; author of Startup Communities; and coauthor of Venture Deals) Most books on innovation fail to deliver practical guidance that a business can execute immediately. The Innovator's Hypothesis isn't one of them. Michael Schrage's 5x5 framework has helped us instill and sustain a true ethos of experimentation in our organization. (Peter Steinlauf, Chairman of the Board and "Chief Experiment Officer," Edmunds.com) Michael Schrage's writing has profoundly influenced my work over the years. The core essence of this book is a must-read for anyone seeking to accelerate the pace of innovation. (Qi Lu, Executive Vice President, Applications & Services Group (ASG), Microsoft Corporation) As CEO of a 21st century company, I need to make sure that we are catalyzing innovation, not just thinking about it. The Innovator's Hypothesis is the first book I've read that explains how to do this through a clear methodology. It's 'must' reading for any business leader. (Victoria R. Montgomery-Brown, CEO, Big Think) The Innovator's Hypothesis is a brilliant breakthrough of a book that includes the first fresh thinking on innovation in years. Simple, profound, empowering methods any company can use immediately. (Rosabeth Moss Kanter, Ernest L. Arbuckle Professor of Business Administration, Harvard Business School; author of SuperCorp: How Vanguard Companies Create Innovation, Profits, Growth, and Social Good) Schrage delivers (again). This is a new classic, a book that will change the way thousands of companies innovate, grow, and thrive. (Seth Godin, author of The Icarus Deception)

Michael Schrage is a Research Fellow at the Center for Digital Business at MIT Sloan School of Management. A sought-after consultant on business innovation, he is the author of Serious Play: How the World's Best Companies Simulate to Innovate and What Do You Want Your Customers to Become?

I found this book to be an interesting read. I have to say I started reading it with some preconceived ideas of why this experimenting would not work. Surprisingly the author addressed those concerns

(and some I hadn't even thought of). I wanted to read this more out of intellectual curiosity than as something that I might take a part of. I'm way too far down the corporate ladder for that, but still this might be a book that I can recommend to someone near the top of mine. If I was to make a complaint about this book, it would be toward the first chapter. The author really tries to sell the book to you. Which is sort of annoying given you supposedly have the book and are reading it. Made me flashback to some workshops / presentations I've sat thru in the past - where the presenter spent a good portion to the beginning telling you why you should be there. IMO, if your butt is already in a chair, then you don't need to be sold again. However, once you get past the first chapter the book moves along pretty well. The bulk of this book is a primer, that covers a lot of subjects. My guess the author does that in case someone reading the book is unfamiliar with different aspects of business management. I have to say that is what I found most interesting about this book. The anecdotal stories about different businesses and people that the author used to illustrate his point. So I have to say I enjoyed reading it, I even went ahead and purchased the Kindle edition to keep in my collection.

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. Here are the key themes that I agree with- Be "lean" and "agile" and run experiments quickly instead of analyzing and debating. Minimum Viable Products are a key theme Mike Moran calls it Do It Wrong Quickly- Reduce the cost of running experiments- Experimentation is as much a cultural problem as a technical one. A platform/system can solve the technical challenge, but it's harder to address the cultural issues- Try to craft a hypothesis that the experiment answers, from which you can learn, whether the experiment is successful (e.g., rejecting the null) or not. If you change too many things, you learn little when the result comes out "flat." A couple of themes I disagree with- Experimentation is not a panacea for every problem and every organization. There is little discussion in the book about when NOT to experiment. Netflix and can make mistakes in recommendations, but you don't want many of those in Nuclear Submarines. Knight Capital was agile and proud of their experiments, until in Aug 2012 they had an error that caused a \$440 million loss and erased 75% of Knight's equity value.- The section about "Good ideas" didn't work for me. I equate a good idea with a hypothesis that is true, i.e., that we validate in an experiment. The author writes "The Earth is not flat; the moon isn't made of green cheese; and the future of business innovation doesn't depend on good ideas. It never has....Good ideas are usually bad investments. They're rarely worth the time, money, or effort. They overpromise and underdeliver. They seduce and they cheat....Good ideas might be better described as the empty calories of enterprise innovation: accessible, tasty, and momentarily satisfying. But they're not good for you. They'll make you sick." I believe this is a terminology issue, but I would have used "flash-in-the-pan idea" that upon evaluation is not really good. Overall, this is a great book to read and buy for your managers, if they need to be better motivated on how to innovate better and faster with experiments.

I read this to learn about how to make use of small experiments to gain insight and find things that could and should be scaled up. It's aimed primarily at large organizations, but I think this approach and mindset would be incredibly valuable for small businesses, non profits and even freelancers. If there's a follow up I'd love to see stories and tips for using this approach within smaller orgs.

One of the biggest innovation challenges that organisations face is making the transition from talking about innovation to actually doing it. This book is a great remedy to that problem. Schrage's last book, *Who Do You Want Your Customer to Become?* is an under-appreciated gem, and this one is just as good. His solution to the innovation is to try more stuff. And the book outlines a structured approach to doing this. The idea is to get 5 teams of 5 people to build 5 experiments that

they can execute in 5 weeks. The numbers don't matter so much - it's the spirit of this approach that is important. The experiences that Schrage recounts here are consistent with mine - once you get people testing ideas, and then making data-driven decisions, your innovation capability improves. There are plenty of books around that make the case for why innovation is important. But this is one of the best for figuring out what you should do once you buy that argument. If your organisation follows the steps in this book, it will become more innovative.

This is a very well written business book. Mr. Schrage does a lovely job of suggesting how the corporate executive can build or encourage a culture of innovation. I would highly recommend it for anyone seeking to excel as a change agent or growth company executive

had to read for work.....it was what I needed

A book to learn from...

An interesting book, I haven't read the first one and perhaps that is why it felt a little like walking in late to a movie WRT The 5x5 concept that is so key to this book.

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