Business Experimentation

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A practical guide for driving innovation and performance in your business

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CONTENTS

Online resources to accompany this book are detailed in the relevant chapters and are available for download at:

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FOREWORD

Experimentation is disciplined play. The playfulness consists in having ideas; the discipline consists in testing them. An experimental culture is one that places greater weight on the invention of breakthrough ideas than the implementation of worthy plans. In a choice between a good idea badly executed and a bad idea well executed, the business experimentalist will opt for the latter. The reality is that most businesses take the opposite point of view. Success is seen to be a return on the application of second-hand strategies rather than the discovery of counterintuitive truths.

In 1903, a young chemist named Martin Rosanoff was recruited by Thomas Edison to join the staff of his celebrated Menlo Park laboratory. Within a day or two of starting work, Rosanoff approached his boss, 'Mr Edison, please tell me what laboratory rules you want me to observe?' Edison, who was chewing tobacco, spat on the floor and yelled, 'Hell! There are no rules here – we're trying to accomplish something!'

Apocryphal or not, the story conveys a truth that is particularly pertinent to the business world of today. Most large-scale organizations have become choked by self-inflicted rules. Execution takes precedence over exploration. Long ago, Max Weber predicted correctly that bureaucracy, by pursuing efficiency at the cost of democracy, would inevitably lead to what he called an 'iron cage' in which compliance and control rather than conjecture and discovery would hold sway.

Experimentation shows a way out of this cage. Rather than limit the firm to untested, and therefore risk-averse, ideas and initiatives, a culture of experimentation acts as an insurance policy enabling managers to be more imaginative and daring in the strategies they formulate. Knowing that foolhardy ideas will be detected and abandoned, managers can afford to be more imaginative in the range of ideas they put forward for consideration. The firm no longer limits

itself to a small number of rather conventional and safe options; it gives full rein to the discovery of disruptive or counterintuitive ideas that have the potential to revolutionize an industry.

Experimentation is founded on the belief that, in a market economy, the greatest rewards are reserved for those with the imagination and courage to disrupt conventional or obsolete industry practices. In effect, the workplace is transformed into something more akin to Edison's lab, where primacy is given to originality rather than predictability. After all, capitalism only works if the companies that constitute the economy are as clever and courageous as those who work for them. As it is, too many organizations subtract value from the collective talent of their members. Only through systematic and continuous experimentation can organizations learn as fast as change itself.

The call made in this book for greater experimentation is timely. It is a deliberate plea for companies to live up to the wealth-creating responsibilities that an open society and a free economy rightly expect of business; and it puts forward a blueprint for doing so. Over time, by privileging what is true rather than what is convenient, experimentation creates a meritocracy of ideas in place of an autocracy of opinion. For many managers of the old school, what may at first be seen as a pedantic and time-consuming emphasis on controlled testing gradually succumbs to an appreciation of the power of reason and transparency. The baleful grip of managerialism is loosened.

The development of an experimentation culture goes hand in hand with the creation of what I have called a humanocracy. By this I mean a post-managerial form of organization that lives and breathes the higher human faculties of enquiry, ingenuity and initiative. It forms the foundations of a workplace that is fit for the future and fit for human beings.

Gary Hamel

April 2021

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The challenge that we put to the participants of these management development programmes, held mainly at London Business School, was to design and conduct experiments that would contribute significantly to the performance of the companies for whom they worked. Our role was to guide their endeavours, and the 60-plus examples of business experiments described in the book are real-life examples of situations, individuals and teams that we have supported during that time.

The reality, of course, was that we have been learning at least as much from their creativity as they ever did from our instruction. It is almost impossible to recognize so many contributions over a 12-year period and, in the smaller examples, some names or industries have been changed for brevity. In the main case studies and in the

appendices, we have been able to describe the businesses more fully and acknowledge those involved in greater detail. To them all we owe an incalculable debt of gratitude – for their forbearance, their enthusiasm and their stunning achievements.

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