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MANAGING YOURSELF

New Project? Don't Analyze—Act

Entrepreneurs take small, quick steps to get initiatives off the ground. You can do the same in your organization. *by Leonard A. Schlesinger, Charles F. Kiefer, and Paul B. Brown*

We all know how new projects happen in a predictable world: A team is assembled, a market analyzed, a forecast created, and a business plan written. Resources are then gathered, and the plan is set in motion.

But how do you launch new projects in an unpredictable environment? What's the best way to do it in an age when the proliferation of data and opinion makes truly decisive analysis impossible; when faraway events have immediate, unexpected impact; and when economic malaise has made companies reluctant to take big bets on unproven ideas?

Take a page from the playbook of those who are experts in navigating extreme uncertainty while minimizing risk: serial entrepreneurs.

We and others in the academic and consulting communities have spent years studying these leaders and the logic they use to create new products, services, and business models in situations where the old methods of analyzing, forecasting, modeling, planning, and allocating don't work.

Some of the most surprising research comes from Saras D. Sarasvathy, an associate professor of business administration at the University of Virginia's Darden School of Business, whose in-depth study of 27 serial entrepreneurs revealed a number of common behaviors. Instead of starting with a predetermined goal, these entrepreneurs allow opportunities to emerge; instead of focusing on optimal returns, they spend more time considering their acceptable loss; and instead of searching for perfect solutions, they look for good-enough ones.

The point is that successful entrepreneurs don't just "think different." They translate that thinking into immediate action, often eschewing or ignoring analysis. Rather than predict the future, they try to create it. We have seen this firsthand in clients and former students who have launched businesses in a variety of industries. And look at Starbucks CEO Howard Schultz: Coffee sales had been steadily declining for two decades before he came up with the café concept that would grow into a multibillion-dollar business.

This logic shouldn't be limited to entrepreneurs working outside the bounds of traditional organizations. (After all, Schultz first tested his café idea when Starbucks was a small retailer of coffee beans, teas, and spices, and he was its director of marketing.) We believe that any manager can—and should—follow the same process when confronting the unknown, because it is an extremely low-risk way to launch new projects. It also involves only a few simple steps:

Act: Take a smart step toward a goal.

Learn: Evaluate the evidence you've created.

Build: Repeat steps 1 and 2 until you accomplish your goal, realize you can't, or opt to change direction on the basis of new information.

Reading that list, you might think, This is common sense. And it is. Any two-year-old understands the concept of learning through action. So do artists and scientists. Even if you don't know exactly where you're going, you get started. You make right turns and wrong turns, learning more about what the right direction is as you go. You're not flying blind; you're moving forward carefully, eyes wide open. You're alert to any looming danger—or opportunity.

We acknowledge that action before analysis, learning instead of predicting, can be, well, unpredictable—and messy. And we concede that it's antithetical to the way most organizations work. However, in the long term, taking lots of small steps actually reduces risk, which makes such an approach ideal for tackling challenges and getting fledgling initiatives off the ground, particularly in today's skittish corporate environment. And such innovation is critically important not only for companies that want to stay competitive but also for enterprising employees who want to feel fulfilled in their jobs.

First Steps

Research shows that entrepreneurs forecast, plan, and model only when they have to. A 2008 survey of the founders of companies listed in the *Inc.* 500 showed that only 12% did formal market research before they launched, while only 40% wrote formal business plans. In Sarasvathy's study, not one subject tried to gather specific information about potential returns or predict an ideal level of investment before getting started. But these weren't reckless leaps of faith. No, these entrepreneurs and others like them tend to move in a safe, low-risk way by taking a series of quick, small, inexpensive steps that follow certain rules. Adapted for managers working within organizations, the rules are:

1. Use the means at hand. Successful entrepreneurs, of course, gather resources before embarking on a new venture. For the first few exploratory steps, however, most simply draw on their own skills, education, experience, and expertise, along with anything helpful their personal and professional contacts might have to offer, quickly and at no, or very little, cost. So instead of jumping through hoops to get multiple approvals and formal funding at your company, simply use the people you know, the budget you have—whatever tangible and reputational resources you can muster by picking up the phone, sending an e-mail, or reaching out to a social media contact.

2. Stay within your acceptable loss. The act-learn-build model is inherently low risk, but that doesn't mean it's risk free. So, with each step, consider how much time and money (your own and your company's) you can afford to lose should the step result in failure. Also think about the cost of not pursuing other opportunities at work in order to focus on your project, and the resulting impact on your professional reputation and the firm's image. Make sure that whatever is at risk could be safely lost.

3. Secure only the commitment you need for the next step. Through the process we're discussing, you'll run into four types of people: those who want to make your project happen, those who will help it happen, those who will let it happen, and those who will keep it from happening. Don't waste time trying to get buy-in from the last two types. Instead of asking, "How do I get everyone committed to

How Managers Can Encourage Entrepreneurial Thinking

CHALLENGE ONE OR TWO members of your team to quietly try the act-learn-build method on real projects, and then protect them from your organization's tendency to shove them back in line.

SHARE THE RESULTS of these experiments with other thought leaders in your company, and encourage them to become early adopters, too.

THROUGHOUT THE PROCESS, ensure that the real and opportunity costs never exceed your organization's—or your innovators'—acceptable loss.

Why Desire Matters

It doesn't make sense to venture into the unknown unless it's for something you care about.

Desire motivates you to act, enables you to persist, and makes you more creative when confronted with obstacles. That doesn't mean you have to have a big idea or a grand passion, at least not at first. Most entrepreneurs begin with a simple interest in a market, product, or service—an itch they need to scratch—and pursue it because it feels satisfying or because they think it might lead to something that does.

Very few of us work at places like Google, where the business model is open, and pet projects are expected to take up 20% of employees' time. Consider the goals of your company, your division, and your boss, and then figure out whether you can link them to what you care about. If you have just been handed a new company initiative, look for something in it that excites you—even if it's just the project's potential to boost your career. If you can't find that connection, consider stepping aside. While it's certainly possible to try the act-learn-build strategy when desire isn't present, it won't be much fun, and your chance of success will be significantly compromised.

my idea?" ask, "What's the *least amount of commitment* I need to act?" Aim for just enough freedom to act in an organization designed to push you back into predictive thinking.

4. Bring along only volunteers. If you've decided to move forward, make sure to invest in the "make it happen" and "help it happen" people. The former should be made up of *only volunteers*—people who share your desire. You can't compel others to innovate; if you try, the first setback will send them running to their "real jobs." After identifying these trusted colleagues, make sure they're committed to the process. "Enrollment" happens when you show your own engagement (inspiring your volunteers), act honestly (giving them a complete picture of your plan and presenting both good news and bad), and demonstrate a willingness to collaborate (immediately offering them real work to do).

5. Link your move to a business imperative, and produce early results. This is essential to creating momentum and winning over those in the "help it happen" category—especially your boss. Show how even your first step could make a difference in the world immediately around you, and build out from there. If your boss thinks it won't work, find out why, and see if you agree. If she's hesitant because your proposed step exceeds her acceptable loss, or her boss's, suggest a less significant move.

6. Manage expectations. Don't overpromise. Don't make any big launch announcements. Explain that you're just taking an exploratory step to generate evidence that will inform the direction of the next one.

To see how this process works in practice, consider the experience of Mary Jo Cook and Suzanne Sengelmann, job-share partners and vice presidents in Clorox's laundry and home care division. As committed environmentalists and mothers of small children, Cook and Sengelmann liked natural products and wanted their employer to start producing them. But in 2005, when "green" offerings accounted for only 1% of their industry's $12 billion in sales, it was a hard case to make with the predictive analysis that Clorox typically used to identify new business opportunities. The company hadn't launched a major new brand in 20 years—much less tried to break into a small, new market with high barriers to entry. Still, Cook and Sengelmann suspected the category could be a fruitful one and had a strong personal desire to investigate it. (See the sidebar "Why Desire Matters.") So, even as they worked on extensions of Clorox's established, chemical-based products to satisfy the requirements of their job, they gave themselves a new, under-the-radar mandate—develop an effective, marketable, green cleaner—and began to pursue it with smart steps.

At first they simply "played around at home" with products already on the market, and then traded notes on how effective the products were. They also reached out to working-mom colleagues, including Sumi Cate in research and development, whose team was already experimenting with biodegradable plant- and mineral-derived formulas. She was their first "volunteer."

At the time, many people at Clorox were worried that a green line would diminish the brand's reputation for effectiveness, generate paltry profits, and, worse, draw unwelcome attention to the toxic ingredients used in its other offerings. So Cook and Sengelmann kept their interest relatively quiet. But it eventually caught the attention of the company's new-ventures group, which asked them to evaluate an existing European cleaner the group had scouted. The two women and the few volunteers they had by then recruited tried it in their own homes, while Cate's team tested the formulation. Unfortunately, the results were disappointing; the cleaner didn't work well enough to be a Clorox product. But Cook and Sengelmann now had a stronger link to a business imperative—namely that a broader set of managers thought a green line could be part of the company's innovation efforts. The trick would be to find an effective one.

They told their bosses about their ambition and explained why it might be a good business for Clorox, but in an informational way that didn't require any sign-offs. That gave them just enough commitment to progress. They also made sure their potential loss during this start-up stage was acceptably low: some time and a small percentage of an existing budget, with no threat of diminished reputation because they had made no promises about the green research and they continued to work on other product extensions in the traditional Clorox mold.

In the summer of 2006, the R&D team finally found a formula that was 99% free of petrochemicals and that worked as well as the company's chemical-based products. But Cook and Sengelmann still had work to do. At that point they could have reverted to extensive market study, models, and financial projections to figure out how to package and sell the new line. But

Show how even your first step could make a difference in the world immediately around you, and build out from there.

they decided that the market was still too new for the customary in-depth analysis and that internal concerns about the riskiness of green offerings were still too great to be overcome without more evidence. So they stuck with small, smart steps.

They added another "volunteer": their colleague Jessica Buttimer, who was not only a marketing specialist but also another young mother and a health enthusiast. And they began to test prototype products with a small group of consumers in California's Bay Area, where Clorox is based, again using their existing budget and simply keeping their bosses informed. The company learned a lot from this low-risk research: Most users rated the products as highly effective, and all were excited to see the Clorox brand on a green line. It didn't change their opinion of the company's other offerings—they already knew those contained chemicals—but it did change their views on the efficacy of natural products: If Clorox was behind an environmentally friendly brand, it must work. Cook and Sengelmann now had early results on which to build.

Build Momentum

When it comes to learning from and building on our actions, serial entrepreneurs do a better job than the rest of us in four ways: First, they move quickly in the face of positive results. If one step works, they immediately execute the next using the rules we've laid out.

Second, they embrace even negative results. They are grateful for surprises, obstacles, and disappointments because unwelcome news often provides the impetus to make a product, service, or business better, or it points to an entirely different opportunity—before too many resources are invested.

Third, they understand when and how to use prediction, even as they're learning by acting. As your initiative progresses and requires more organizational resources, you'll need to forecast where you can forecast, plan where you can plan, and model where you can model—but using the evidence you have created (and hopefully are still creating) through your smart action steps. This new way of thinking should augment, not replace, the way you currently solve problems.

Fourth, entrepreneurs know when to cut their losses and walk away. They recognize when their idea is impossible to execute, that they're incapable of executing it, or that the risks involved in pursuing it exceed their acceptable loss.

Fortunately, in Cook and Sengelmann's case, the smart steps paid off handsomely. They continued to act their way into the future while simultaneously planning Clorox's classic big-product launch. Another "volunteer" supplied connections at the Sierra Club to secure the San Francisco–based environmental group's seal of approval for the new line. Sample products and packaging were placed on store shelves. Low-cost, grassroots, social media–driven marketing initiatives were tried. The result was Green Works, now a $60 million brand for Clorox.

We've heard similar success stories from managers in other traditional organizations. One example cited by Harvard Business School professor Rosabeth Moss Kanter is the triumph of a group of tech enthusiasts at cookware retailer Williams-Sonoma, who countered their CEO's lack of interest in e-commerce by launching a low-risk pilot site that has since grown into an industry-leading web presence. Another, smaller-scale case study comes from a Whole Foods Market buyer we know whose interest in nutrition prompted him to pitch to his manager the idea of an in-store bar for vitamin-enhanced smoothies. He now personally staffs it once a week, and it's a big sales driver for the store. Each of us has also had recent firsthand experience with entrepreneurial action at work. Here's one quick example from Len: Instead of spending significant time and money to research whether Babson should create a West Coast outpost, his dean simply opened up admissions and discovered enough demand to start one six months later.

This anecdotal evidence suggests that the act-learn-build strategy can and should be espoused not only by entrepreneurs but also by employees working within traditional organizations. It takes just one smart step to get started.

The authors note that a more detailed look at the Clorox venture is found in *The New Entrepreneurial Leader: Developing Leaders Who Shape Social & Economic Opportunity,* by Danna Greenberg, Kate McKone-Sweet, and H. James Wilson (Berrett-Koehler, 2011).

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