



Experiment with Experimentation

By Vincent Thome

The past 10 years of business has proved that in today's marketplace those businesses that innovate are in a far better position to realise financial gains. They're not the only businesses that succeed, businesses that are operationally efficient, those that are second to market, sometimes even those that are simply lucky, can also prosper. But generally one of the best ways to ensure your business thrives in an increasingly competitive and global economy is to innovate.

The question then becomes, how do you make your business an innovative business, and the answer is remarkably simple. You need to experiment. Yes, you also need processes which support the realization of ideas, but the fundamental step is developing a process that allows experimentation.

In the digital industry, experimentation is comparatively easy to embrace. Constraints such as investment, iteration in product development and physical development time are largely avoided because of the Internet properties (code as opposed to physical properties). Proof, if it were needed, comes from many of the more famous internet companies started with experimentation to aid personal purposes. For example, Del.icio.us's founder wanted to build an application to organize his bookmarks. Youtube's founders wanted to easily share barbecue party video with their friends. With a computer, an Internet connection, software to write code, design interfaces, and a good idea, these major businesses grew out of simple experiments.

So, if digital experimentation has such a low barrier to entry, my question, and the purpose of this paper, is to ask why does it seem to be missing in so many digital agencies?

Is it because we are actually more followers than innovators?

Is it because we are afraid to fail?

Is it because it is simply not our culture?

Is it because we don't see the benefits that it delivers?

We are followers more than innovators

Because we work mainly with major corporations and we are (typically) established businesses ourselves (or at least owned by very established businesses), we will probably never be as innovative and proactive as Internet start-ups. This isn't a problem. We are in a slightly different industry and don't need to be first movers or to always be trying to jump to the next innovation or technological advance. Most of our clients are not ready for that anyway.

Where we should focus is on the way we use start-up ideas for our brands and target audiences. For a start, so many of these technologies and ideas are provided to us as open

source, with a culture of collaboration. It is not about your agency inventing on their own, but rather finding appropriate partnerships and experimenting with others' ideas. Kenichi Ohmae, manager at McKinsey, once said "The best possible solutions come only from a combination of a rational analysis based on the nature of things, and imaginative reintegration of all the different items into a new pattern, using non-linear brain power". If we look at the three grand prix winners at Cannes this year, which are all great ideas, they all use components from Internet companies to add value to the customer experience. Proof in part that this strategy seems to work.

We fear to fail

This is definitely a big barrier, but I would argue that failure can be good. As Honda's founder, Soichiro Honda, said, "Success is 99% failure". Experimentation has been created to find success and innovation through failure. You will try, fail, maybe many times, and then hopefully succeed. Experimentation is for those with the nerve to take the plunge, and with a slightly longer term view of the world. It might not ever be a perfect product and it doesn't matter... If you don't succeed, you will, at least, learn from your mistakes and use this to develop further. Above this, it is better to fail in an experimentation phase than when the project is already sold to the client.

From a manager's point of view, we have to think about experimentation as venture capitalists do. I remember this keynote from Ben Holmes at Index ventures. When they invest over 3-5 years, about 50% of their investments lose money, 33% break even and 17% make (a lot) of money. Could we adopt such an approach? It might be more difficult to calculate the return on investment as the benefits of experimentation are diverse and it might be difficult to isolate, but surely there is a principle there that we can learn from.

It is not our culture

Let's divide our culture in staff and organization. From a staff point of view, I think most digital agencies have people who are willing to experiment. The only thing is that, for now, they are doing it at home in their free time. At the moment, they may prefer to work on personal projects at home where they can manage their time and processes as they like it, or is it simply a case that this is the only time and place they are allowed to experiment? The risk is that they find a better way of working away from your organization... What organizations want is to benefit from that experimentation without having to pay for it – hoping that their employees will bring their learning to work. True, until those employees recognize the value exchange is unbalanced, at which point they leave and either go somewhere else or return as expensive freelance costs. We know that it is a major problem our industry is facing right now, what better way to resolve it.

From an organization point of view, it is definitely not applicable for the whole agency to spend its time experimenting all the time. If we look at other organizations, there are two models we could follow.

The first one, often used in industry, is the creation of an innovation team that exclusively works on research and development projects. This model might be applicable at a holding level as most agency staff levels are too small to create a dedicated innovation team.

From an operational point of view, it might be difficult too. As we are, most of the time, working for short term projects, it could be difficult to mix experiment ideas and real projects with fast turn around times.

That's why the second model might be more interesting. It comes from some universities where about 20% of working hours is allocated to develop innovative projects. 20% might be too much in an agency environment but the idea is there. Some might be solo experiments; some might mix strategist and a technologist; some a creative and technologist.

By dedicating a proportion of some people's time to innovation you may need to change your cost model, but again this isn't the most difficult thing to do.

We don't see the benefits it brings back

As I said above, you have direct and indirect benefits from spending more time with experimentation. I would divide them in two levels.

The first one doesn't affect our business model and brings benefits such as attracting and retaining digital talent, creating innovative ways to use start-up ideas or emerging technologies that can be sold to existing clients and lastly increases our potential to attract new clients through reputation and demonstration of being an innovative company.

The second level is the idea that your experimentation team could lead to the next iteration of your client's business model or take them into new markets by developing new digital products. What if agencies would have developed Flickr for Nikon, Youtube for CNN, Wikipedia for Haper Collins and so forth? It might change your client's relationship and the way agencies get paid. But this is another topic that would need more thinking.

Experiment with experimentation

Innovation and experimentation are a priority in lots of industries, and our industry is one. We should look at the advantage we have of avoiding major investment, and be prepared to take a few more risks. We should look for ways to change our cost structure so we are not only profitable with high utilization targets for every employee, where we are not afraid to fail, and where we look for partners not fear everyone as competitors. Only through this can we improve our own and our client's business. In a time where agencies have difficulty differentiating themselves, it could be the major competitive advantage.

