

DISCOVERY DRIVEN GROWTH

MOMENTA PARTNERS CULTIVATING A CONNECTED FUTURE



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Momenta Partners >>

We accelerate time-to-value for industry leaders and startups in the Connected Industry space. We draw upon decades of experience to inspire and guide our client's strategy, and help them execute via Acceleration, Executive Search and Venture Investments.



DOES YOUR BUSINESS SAY THIS?....



BUT DOES IT ACTUALLY DO THIS?...





AND DO 'WE' DO THIS RESPONSE?





WE FOCUS ON TWO SIMPLE THINGS!







How will Discovery Driven Growth Achieve this?

• offers an non-conventional innovation approach to stimulate innovative growth options



ITS UNCONVENTIONAL!



- Project into the future from the past
- Anticipate major challenges
- Know your budget and time
- Holding managers to meeting the numbers



- Recognize and embrace uncertainty
- Project only as far as is sensible given knowledge
- Empower managers and people to take risk
- Accept failure and change



How will Discovery Driven Growth Achieve this?

- offers an non-conventional innovation approach to stimulate innovative growth options
- mitigates risks by turning uncertainty into knowledge and ensuring you don't let assumptions bias your decision making
- empowers a culture of innovation
- reinforces innovation as a credible and relevant part of your business with tangible impact on future growth



WHERE DID IT COME FROM?





HOW DOES IT WORK? THREE SIMPLE STEPS...





STEP ONE: FRAMING THE OPPORTUNITY



DON'T MAKE IT COMPLEX! >>>



STEP ONE: FRAMING THE OPPORTUNITY

- 1. Look at **business at maturity**
- 2. Use a **Reverse Income Statement**
- 3. Start with Required Profits

required profits = necessary revenue – allowable costs

IS THE OPPORTUNITY BIG ENOUGH TO MATTER? >>>



AN EXAMPLE: DIGITAL DESK BUSINESS

- Concept of a "designer desk" for highly computer intensive businesses (architects, software shops, media offices, design/engineering). Combination of product and process disruption:
 - Unique design will allow firm to offer a disruptive desk design of rigid foam polymer that is vastly more ergonomic for high-value employees
 - Firm can market at a lower cost than the most competitive existing offering
 - Because of a disruptive molding manufacturing system which will allow you to produce this higher quality desk with fewer manufacturing workers than existing production systems.
- Need to generate \$5 Million per year with 20% ROS, 33% ROA



STEP ONE: DIGITAL DESK REVERSE INCOME STATEMENT

ALLOWABLE COSTS	\$20,000,000
NECESSARY SALES REVENUES	\$25,000,000
REQUIRED ROS%	20.0%
REQUIRED PROFITS	\$5,000,000

WHOLESALE SELLING PRICE PER DESK	\$400.00
REQUIRED DESK SALES	62500
Desks per day (250 day year)	250



STEP TWO: IDENTIFY YOUR ASSUMPTIONS

- 1. Layout the activities that will comprise the **ventures allowable costs**
- 2. Identify all of the underlying **assumptions**
- 3. Give assumptions a **range**
 - a. Expected Value
 - b. <u>High</u>
 - c. <u>Low</u>
- 4. <u>Feedback</u> to the Reverse Income Statement





EXAMPLE: OPERATIONS SPECIFICATION ADVERTISING AND SALES COSTS

		Assumption		
	Excepted Value	Number	Benchmark	Source
ADVERTISING AS % SALES	10.0%	1	6.0%	industry average
TOTAL ADVERTISING	\$2,500,000			F21*F29
DESKS PER ORDER	2	2	3	distributors
SALES CALLS PER ORDER	7	3	5	distributors
SALES CALLS PER DAY	4	4	8	distributors
SALES DAYS PER YEAR	250	5	250	distributors
DESKS PER SALESPERSON/YEAR	286			F32*F34/F33*F35
SALESFORCE REQUIRED	219			F25/F36
SALES COMMISSION	15.0%	6	10.0%	competitors
SALES SALARY	\$20,000.00	7	\$20,000	competitors
TOTAL COMMISSIONS	\$3,750,000			F21*F38
TOTAL SALARIES	\$4,375,000			F37*F39
TOTAL SELLING COSTS	\$8,125,000			F40+F41



EXAMPLE ASSUMPTIONS LIST

ASSUMPTION	#	LIKELY	LOW	HIGH	SOURCE
					industry
Advertising as a percent of sales	1	10%	8%	10%	average
Deks per order	2	2	1	3	distributors
Sales calls per order	3	7	5	7	distributors
sales calls per day	4	4	3	5	distributors
Sales days per year	5	250	225	250	distributors
Sales commission	6	15%	12%	18%	competitors
sales salary	7	\$20,000	\$20,000	\$25,000	competitors
Raw materials per desk	8	\$105	\$80	\$120	suppliers
Pallet cost per desk	9	\$10	\$10	\$12	suppliers
					equipment
Desks per day per production line	10	100	100	120	suppliers
					standard
Production days per year	11	250	250	251	practice
					equipment
Manufacturin staff per line	12	10	10	12	suppliers
Manufacturing salaries	13	\$36,000	\$32,000	\$38,000	workers



This then feedbacks to RIS

REVENUES	\$25,000,000
ALLOWABLE COSTS	\$20,000,000
SELLING COSTS	\$8,125,000
ADVERTISING COSTS	\$2,500,000
MATERIALS COSTS	\$7,187,500
MANUFACTURING SALARIES	\$900,000
DELIVERY COSTS	\$171,360
DEPRECIATION CHARGES	\$625,000
MAXIMUM OTHER COST ALLOWED	\$491,140
Profit	\$5,491,140
ROS	22.0%



STEP THREE: CHECKPOINT PLAN

- **Prioritize the assumptions** in order of most sensitive to the outcome
- Create a plan that has <u>quick, cheap and effective tests</u> for 1 or more assumptions (in order of priority)
- Use the learned <u>data</u> to feedback to the assumptions, reducing their sensitivity
- <u>Feedback</u> into the Reverse Income Statement
- Use these Check Points as the <u>triggers to drive</u> the innovation process
 - Do we pivot the plan?
 - Do we stop?
 - Do we continue?





WHAT IS THE MOST SENSITIVE ASSUMPTION





CHECKPOINT PLAN

CheckPoint #	Check Point Event	Assumptions Tested
1	Market study completed	4 , 5, 6 -11,
2	Feasibility study done	1-3, 4, 5, 6-11, 18, 19
3	Model desks produced	1-3, 4, 12,13, 14-17,18,19
4	Focus group studies with distributors done	4, 5, 6-11, 20-22
5	Focus group study with user groups finished	4, 5, 6-11
6	Full-scale Market research completed	1, 2, 3, 4, 5, 6-11
7	Trial model beta users recruited	1, 2, 3, 4, 5, 6-11
8	Focus group discussions with beta users ended	1, 2, 3, 4, 5, 6-11
9	Trial models with high-end distributors tested	1-3, 4, 5, 6-11, 18, 19, 20-22



The Discovery Driven Growth Process





DISCOVERY DRIVEN GROWTH: OPTIONS THINKING

• In conventional thinking we use NPV, it tell us...

- we make the decision today;
- we will not learn anything new;
- we cannot modify the plan.

• Using DDG we have options thinking...

- we should <u>not</u> decide today,
- we will learn, and we should be open to modifying the plan
- we largely eliminate the downside
- Allows up to capture the upside (with reduced risk)



DIGITAL DESK EXAMPLE: OPTIONS THINKING



Eliminate the downside potential of -55% ROS

Captures upside potential of 26% ROS



A REAL EXAMPLE

- Chemical company needs to decide whether to invest \$18M into the core, or toward H2/H3 growth platform.
- Four H2/H3 platforms, for which there where four DDG plans created:
 - Reverse Income Statement
 - Assumptions
 - Checkpoint Plan



THE OUTCOME: ACCELERATING INVESTMENT OPTIONS

 At the start of the process, Platform One and Two looked to be the best investment option.



 After Four Months, and isolating the learnings, the investment was repositioned early.





REMEMBER STACEY?





REMEMBER THE BUSINESS?





LOOK AT THEM NOW!



Would you like any resource to support developing ideas?



Retention rates are higher than ever, everyone loves working in this innovative culture!



Innovation is having a tangible impact on next quarters profits!







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THANK YOU / Q&A

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