Exhibit 3

Make Lots of Good, Cheap, Fast Mistakes

SUPPORT SLIDE FOR MAP #5: PUSHING THE "WHEEL OF LEARNING" #5.1

When we take new service improvement ideas in-house (map #5; step 4), we have to re-invent our processes and skills to deliver new service offerings. Trying new stuff with a few customers on a co-learning, experimental basis is the right first step. Succeeding with experiments does not guarantee that we will be able to easily scale the new service capabilities for many customers on a long-term basis at all locations. <u>Employees will do new, extra things for a short time, but don't ignore the power of longer-term, collective passive resistance to kill any significant change effort.</u>

To succeed even at the experimental stage will involve: confronting (unforeseen) problems; making honest, hopefully good mistakes; and more generally, pushing the "wheel of learning". These learning challenges are covered by the three support slides below (5.1-5.3).
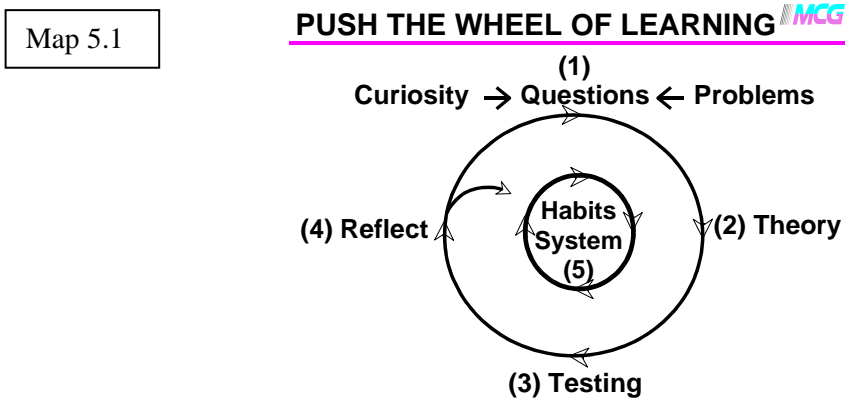
The steps of the wheel are as follows:

1. Exploring opportunities raises <u>questions</u> (in this case for customer service improvement)

2. <u>Theories</u> for how we could work better together to grow the customers' profits emerge. These new service solutions might require us to re-tune basics or add extras (perhaps un-bundled for a fee), but the customer might want to see a prototype, a free trial or sampling.

3. Together we do a cheap, prototype <u>test</u> or experiment to learn by doing, to fail forward, to find the bugs, over-sights, etc.

4. We <u>reflect</u> on the experiment's results, we either move to new general questions #1 and start around again; or,

5. If the experiment is a partial, promising success, we move towards <u>pushing the wheel (inside) for refinement.</u> This would include:
   - Documenting measurable value
   - Proving good profitability for us
   - Productizing the offering to be able to offer it to others in the niche with initial customer(s) testimonials
   - Having new corporate <u>systems, language and habits</u> as a final result

Exhibit 3

SUPPORT SLIDE FOR MAP 5: NEW PROBLEMS TO SOLVE #5.2

NEW PROBLEMS TO SOLVE   *MCG*

Map 5.2

Problems	**Solutions**
1. Known	Known
2. Known	Not sure
3. (Unknown surprises; opportunities)	

Whenever we go down a new, innovative path, we will run into three types of problems with three types of solutions that are listed above. <u>It is the third group – total surprises – which can be either the most traumatic or fruitful depending upon how we want to look at them</u>. If we are trying new stuff that has been directed and surfaced by the first four strategy maps, then the bigger the unforeseen problems, the bigger the eventual value possibilities and competitive barriers we will create if we can solve them.

The biggest problem with both pushing the wheel of learning and dealing with new problems is the fear that most people in a company will have with failing forward at new things. Most mature companies reward and promote people for:

- Fine-tuning the past
- Knowing all of the answers to the old questions and problems, and
- Keeping costs low by not trying anything new that might fail and cost more; experimentation resources and failures are not in the budget!

We will have to free up some slack time, talent and treasure; teach everyone why and how to make "good" mistakes; and, publicly praise (and even reward) those who do make good mistakes failing forward towards the new value creation goals. Tough tasks! Innovative activity led by "intrapreneurs" who are guided by effective strategies and the right strategic metrics all have to be present.[1]

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[1] Learn about intrapreneurs and take a survey to see how innovatively capable you are at http://www.intrapreneur.com/

Exhibit 3

SUPPORT SLIDE FOR MAP # 5: MAKING GOOD MISTAKES #5.3[2]

| Map 5.3 |

MAKE GOOD MISTAKES ⫼MCG

1. **Plan it:** **Certify the benefits**
Max. upside; Min. downside
Design a good experiment

2. **Do it:** **Cheaply, carefully if possible**

3. **Learn**

4. **Try again** **Smarter**

5. **Teach and role model** **"Good Mistakes"**

This slide offers a full definition and cyclical process for making good mistakes and it can all be nestled into step 3 in the wheel of learning labeled "testing". A good mistake starts with:

- (1) Plan it. A good mistake should be the result of controlled, affordable (our worst-case scenario costs) experiment that is driven by a theory from the wheel of learning. The underlying theory should, in turn, be guided by questions about areas of opportunities surfaced by our strategic maps. We will get a lot more "lucky" if we fish (experiment) in the right strategic spots.
- (2) Do it. Cheaply and sooner rather than later to more quickly learn-by-doing and failing forward. Experiments should be done by can-do, open-minded, out-of-the-box-thinking intrapreneurs. Administrative, control-freak veterans who have to be right, on-time and on-budget won't have the spontaneity to see the surprise opportunities that emerge while messing around in the experimentation stage.
- (3) Learn from it. This is the one part of the full definition that every defender of the past will get right when asked to "define what a good mistake is". The answer is not good enough for reinventing an organization.
- (4) Try again smarter. Go back to the wheel of learning step for reflecting and then start the cycle over again.
- (5) Teach and role model both good and bad mistakes to encourage others to start to participate in step 1 with the right learning how to learn spirit.

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[2] For more on "good mistakes": see this article: http://min.isisit.com/merrifield/articles/5_4.asp; see our "High Performance.." video module # 5.8. For "how to praise publicly" see this article: http://min.isisit.com/merrifield/articles/6_3.asp; or video module #5.2