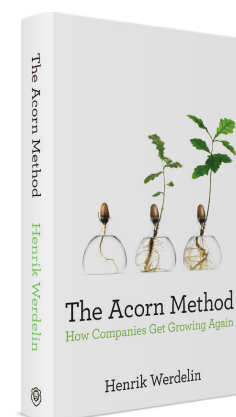


The Acorn Method

How Companies Get Growing Again

by **Henrik Werdelin**



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THE SUMMARY IN BRIEF

In *The Acorn Method*, successful entrepreneur and founder of multiple companies Henrik Werdelin reveals his revolutionary way to turn mature companies into innovation- and revenue-generating factories. He outlines the necessary structure, process, and strategies to create powerful offshoots from existing ‘trees’ in a way that anyone from established founders to those looking to create their first new ventures can benefit from in a range of ways.

Companies should begin the Acorn Method by setting up a new, quasi-independent organization or department within the existing corporate structure whose sole mandate is to build those new businesses. Next, they should use this venture to identify and validate opportunity-rich, original problems, and to create and vet multiple narrative solutions to those problems. Finally, Werdelin reveals how to successfully launch these solutions as successful new ventures.

IN THIS SUMMARY, YOU WILL LEARN:

- Why mature companies struggle to do anything more than maintain the status quo.
- How to set up a new internal organization within your company focused solely on new business ventures and innovations.
- How to use that new organization to generate innovative solutions and validate their potential to generate revenue.
- How to turn these innovative ideas into concrete business ventures and move towards increased, startup-style growth.

Introduction

To survive beyond its upward growth boundary, every mature company needs to build a diversified but coherent portfolio of small, fast-growth asset companies as part of a new tree-and-forest, horizontal growth paradigm. It's called the Acorn Method.

The Acorn Method is both a philosophical stance and a practical series of steps by which companies can propose, test, build out, and eventually integrate (or spin off) new businesses. It's the growth paradigm Amazon and Apple followed to build their retail and technology forests. It's the method the author of this book used to help build and scale companies including BARK (maker of BarkBox), Ro (maker of Roman), and the Bjarke Ingels Group. The Acorn Method gets old-growth companies back into the business of building businesses and capitalizes on the significant but often unrealized advantages they have over their younger competitors.

Part One: The Structure

Companies should begin the Acorn Method by setting up a new, quasi-independent organization or department within the existing corporate structure whose sole mandate is to build those new businesses best positioned to regenerate, support, and extend their parent company's growth. How exactly to do that will be explored in the sections that follow.

The Revenue Exploration Studio

The upward growth of successful organizations slows as they mature. The structures developed to support towering businesses are necessarily more focused on maintenance than on further (slow, expensive) vertical growth. If they are to avoid stagnation and decay, such companies must find and act upon lateral growth opportunities, but the very structures that support their height can inhibit their expansion. To successfully build a portfolio of young, rapid-growth, revenue-producing new businesses, mature custodial organizations should create a Revenue Exploration Studio (RES), a quasi-independent shape-shifter structure within but insulate from the larger company.

In the same way that a keystone oak grows for decades before producing its first acorn, after years of steady—and then steadily slowing—growth, mature companies need to get back into the business of building businesses. When a keystone company wants to start growing acorn, its mindset—its approach to problems, uncertainty, and risk—make establishing a Revenue Exploration Studio (RES) under the

auspices of, but separate from, the larger organization a structurally sound idea.

Establishing an RES

Establishing a Revenue Exploration Studio sponsored by, but separate from, a mature organization begins with upper management buy-in, the identification of areas of unfair advantage, and the recruitment of a stellar leadership team. It is then supplied with both an investment fund and an annual operating budget, as well as with institutional support and other resources.

Once set up, an RES draws down capital and invests in new business ventures according to an algorithm that ties an Acorn's ongoing funding to its revenue. Using a process we'll detail in the next four chapters, the RES develops, tests, and refines new business ideas approximately every three months to create a portfolio of new businesses that leverage the sponsor organization's strengths and return significant financial and cultural gains.

Find a balance between companies which are unlikely to make it at all, but could be truly transformative if they do, and those much more likely to succeed, if more modestly. A successful RES will, at worst, introduce new revenue-creating business lines for your company and, at best, do for you what the iPhone did for Apple.

Part Two: The Process

The following process is a well-tested, four-step process which a structure can use to identify and validate opportunity-rich, original problems, and to create and vet multiple narrative solutions to those problems. (This process can also be used to build new businesses without the first, structural step).

Identify Interesting Problems

With a Revenue Exploration Studio established, the Acorn Method moves from structural concerns to questions of process. With the one-time work of creating a business-building structure, your company now needs a reliable, efficient, and repeatable process tailored to the identification, articulation, presentation, and evaluation of new business ideas.

Identifying and reframing a host of interesting problems yields, almost by default, a generous number of actionable ideas. On the curve from nothing to something, you now have the first half of several possible good ideas for new

businesses. The next step is to go from an idea to a narrative solution you can vet.

The Acorn Method's four-step growth process begins by identifying interesting problems using the "It Sucks That" exercise along laterals opened up through four area-of-permission boreholes: redefinition, listening, self-disruption, and anticipation. The output is then rendered as problem statements which are reframed to create actionable new business ideas.

Most people think of problems less as things to go in search of, and more of those things which you find despite your best efforts. But imagine asking for five innovative business ideas from employees—you'll probably come up empty. But ask for business problems and you'll be flooded. That's where innovation begins.

Articulate Possible Solutions

Congratulations, you have problems! Because you've reframed them, you also have ideas. At this point, it's critical to move quickly through first developing and then eliminating possible solutions.

In the second step of the Acorn Method's process phase, multiple ideas uncovered through problem-finding and reframing are rapidly developed and articulated as narratives of possible solutions by using an eight-prompt template. The resulting Quick Pitch is then reviewed and the best two or three selected to move on to the next step.

After all the Quick Pitches have been made, only a few should be selected to move forward, after further development, to the next round of pitching. If you pitch five ideas, you end up with two, and if you pitch two, you still end up with two. Often, there will be a clear choice. The next process step involves another template and another incremental but powerful extension of possibility and validation for turning that choice into something even greater.

Create a Lean Product Plan

On the journey from nothing to something, creating a shareable account of how your concept will help solve a meaningful problem in a scalable way is one of the most impactful but undervalued exercises you can undertake. While building such a presentation isn't complex, when you get this step right, you have an easier time securing support for your project and moving it past the "I have a good idea" stage. A Lean Product Plan (LPP) is relatively quick to make, consistently delivers powerful results, and forms the

third step in the Acorn Method's process.

Moving from ideation to creation in the third step of the Acorn Method's process phase represents the largest investment yet of time (and the first of cash) to create a Lean Product Plan. This professionally designed and well-researched deck of approximately thirty slides compellingly presents the problem, solution, and business case of your new venture. It then spells out what resources are needed to validate the ideas and test the assumptions on which it is based, and leaves its audience feeling excited about the new venture's possibilities.

Begin Signal Mining

The odds that any given acorn will become a tree are a disheartening one in ten thousand. While a new business built with this process has much better odds than most others, innovation is still risky, and leaders are rightly cautious. If companies are going to grow a forest of offshoot businesses, they can't gamble on acorn odds, or even startup odds. New business ideas need to be tested to validate their viability. To lower the risk of innovation, reduce the cost of trying.

Signal Mining is as close as you can get to guaranteeing success. It identifies potential revenue streams, and establishes who your new business's customers will be and that they actually want what you're proposing to offer them. This is the last step of the Acorn Method's business-creation process, and with strong indication of good market fit and your LPP's assumptions validated, you're ready to transition from idea to action and go operational.

Part Three: The Strategy

Finally, the Acorn Method's strategic component provides a roadmap for developing the most viable new business opportunities on aggressive but achievable timelines, and for managing both the immediate and long-term relationship between those new businesses and their parent company.

Build a Runway

Whether developed inside a Revenue Exploration Studio or as a one-off special project of a larger organization, a company-grown new venture often finds this inflection point marks the boundary of their sponsor's comfort zone. The Process steps can feel like intellectual play, and now it's time to make it all into something real.

For the keystone organization that has grown an Acorn either as a one-off or within an RES, the shift from idea to

action can be a formidable one. As a new venture moves out into the world to start solving the problem you identified for an increasing number of people, managing the relationship between it and the keystone organization requires a strategy that can manage all three possible outcomes: shut down, spin out, and spin in. The commitment and timelines change and more distance is created to allow the Acorn to grow a startup seed. You need strategies to handle funding and governance and control, and new talent needs to be brought into the organization.

Launch Your Business

Having gone operational, an Acorn needs a solid strategy for managing its bumpy and unpredictable trek down the runway as it (hopefully) takes off. The Acorn Method's second strategy consists of the two Rs and three Ss of revenue, reporting, speed, spending, and sales. Make revenue your primary indicator of progress, report on that progress monthly, and move as quickly as possible. Spend money sparingly, particularly in the early months, and prioritize selling over any other use of your time.

A single tree has a life cycle, but a forest is a cycle of cycles. A tree generates an acorn, an acorn generates another tree, and the forest regenerates itself expanding to incorporate new products and reach new markets. It renews itself by creating new entities in exciting, expanding regenerative growth rings.

Notes from the Air

In the same way that the life cycles of products and companies are getting shorter and shorter, so are the half-lives of those skills required to be a productive team member.

Learning to run experiments, adjust, adapt, and experiment again is an incredibly valuable skill. It's how you learn how to learn better.

In a professional landscape where things move so quickly that you need to be constantly learning in order to stay relevant, experimentation is a true superpower. Anything that can be taught and automated can, in theory, be replaced by a computer. Building experimentation-iteration loops is a complex skill that's difficult to learn, and even harder to master. It's also almost impossible to replace. Being an entrepreneurial person inside an organization and knowing how to build new businesses there is a very powerful position to occupy, and enjoy.

Conclusion

If you're willing to tap the deep roots of creative and entrepreneurial talent, to branch out beyond the expected and into new areas of opportunity, to grow—grounded in solid funding and governance practices—from oak to acorn, Acorn to spun-in or spun-out new venture, the Acorn Method is here to help. As a method it's both flexible and strong. Whether you head a mature organization or are just putting out your first new business offshoot, always continue to grow, regrow, and reach broadly as well as high.



Henrik Werdelin is the co-founder of America's fastest growing pet brand BARK (makers of BarkBox) and is founding partner of Prehype, an international organization that helps entrepreneurs and companies build new ventures. Henrik has been part of startups that were acquired by Facebook and Microsoft, and has advised companies like Coca-Cola, LEGO, Novozymes, CitiGroup, Intel, Carlsberg, Leo Pharma, and Verizon. His methods are taught at Stanford and other leading universities and have been featured in Harvard Business Review, Bloomberg, Fast Company and other major publications. Originally from Denmark, Henrik lives in New York with his family.

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