# How to move fast: Innovation at speed and scale

Leading start-ups innovate, go to market, and scale quickly with limited resources. What can large companies learn from the start-up playbook?



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In this episode of the *Inside the Strategy Room* podcast, McKinsey partners Stacey Haas and Brian Quinn, along with senior external adviser Julie Baskin, lead us through conversations they have had with leading entrepreneurs about the lessons larger consumer companies can take from how digital natives and start-ups innovate quickly. (For more conversations on the strategy issues that matter, subscribe to the series on iTunes.)

**Stacey Haas:** Innovation is critical to driving growth but remains an opportunity for many large consumer companies. Today we're talking about how large companies can take plays from start-ups' playbooks to make them more competitive in a changing world. We're going to hear from entrepreneurs about the techniques they've used to go to market and scale quickly with limited resources. We will see how larger companies can try to emulate some of that behavior to innovate more quickly. We will also discuss how large companies can leverage what they already do very well and apply it to new growth initiatives.

We'll share conversations we had with the people behind the meal-kit company Plated, the performance dress-shirt company Mizzen+Main, the jewelry company BaubleBar, as well as Uber. The leaders of these companies told us stories that may at first sound like start-up adventures that don't translate to more established companies, but we believe there are valuable lessons in their experiences.

First though, we'll join a conversation I had recently with my colleagues who specialize in strategy and innovation. Brian Quinn is a partner in our Chicago office, and Julie Bashkin is a senior adviser based out of New York. We met in Chicago to discuss the key questions our clients tend to ask us most frequently about how large companies can drive growth through innovation.

**Julie Bashkin:** I'm noticing this issue with clients where they're having a "head slap" moment. Five years ago, they were thinking, "Start-ups? Who? We don't care about them." And now they're calling it the "bee swarm" or sometimes they call them "ankle biters," where one start-up is not a threat, but many of them combined are threats. And they seem to have come out of nowhere, and they seem to be moving fast with no resources. And they seem not to be weighed down by the baggage of their own success, like our big clients are.

**Brian Quinn:** I think it's been something of a painful lesson for most incumbents to see just how much growth start-ups have been able to take. If you look back over a five- or seven-year window, despite the top 25 manufacturing roughly 50 to 40 percent of the overall category sales volume, they've driven somewhere between two to five percent of the growth. All of the growth has generally been ceded to start-ups. The first thing is there is something we actually have to learn about what are they doing and what are the ways that they're playing that actually enable them to have that kind of success.

The biggest thing that makes most start-ups move really quickly is urgency. They are running on the amount of capital and the amount of funding they have at any given moment. And if they cannot get to a next milestone, whether that is actually getting to enough sales to start self-sustaining the enterprise or get to a next milestone with a venture funder, they're done. And that level of urgency, that degree of fuel to move quickly, just doesn't exist inside most large organizations that I've worked with.

**Stacey Haas:** Before we go on to hear from the start-ups we talked to, I want to pick up on Brian's point about start-ups facing urgency with few resources. Those conditions necessitate moving quickly to go to market and scale. Start-ups have to be creative and scrappy about how to do this. The story we'll hear first, from Daniella Yacobovsky, the CEO and cofounder of the jewelry company BaubleBar, illustrates this well. Daniella worked in investment banking and private equity before starting BaubleBar in 2011, selling on-trend fashion jewelry through pop-up stores and other methods. Today BaubleBar has multiple brands that are sold through large retailers as well as directly online. Speaking at our Digital Consumer conference in New York recently, Daniella describes how she and her partner elevated the creativity and scrappiness we're talking about to an art form when they were figuring out channels for selling their jewelry.

**Daniella Yacobovsky:** When we first started in 2011, we were gifting every fashion blogger there was for free. And they were posting about it for free, because no one would've ever thought to have asked us for money. We were like, "Ha, we don't have any. Joke's on you!" We got a lot of really strong organic placements, a lot of strong organic support. When you don't have money, it's just guerrilla warfare. Amy and I would be everywhere with bags of jewelry just putting it on people. Like, "I think you'd like this necklace." And we were just throwing it at people. We would do whatever it took to get on our jewelry on the right people.

And I think that our team was really great about thinking through our social strategy. And how are we connecting with our community in a way that feels really organic and authentic? I'm not going to say that it was necessarily planned that way, because I don't think anybody necessarily planned it that way. We were a really tiny team. It wasn't possible for our social content to go through multiple layers of approval and discussion. And is that the voice? And is that the tone? And do we feel comfortable with that? And we also were not a target for legal anything at the time. I mean, we were ten people sitting in room just like, throwing around jokes. But we were moving really quickly. And if we thought something was funny, we put it up on social. And if we thought something was aesthetically beautiful and in line with our visual, we put it up on social. And we saw how people reacted and we just kind of went from there.

**Stacey Haas:** Next we'll hear from Uber's general manager, Beth Huddleston. Beth joined Uber's Dallas location and then took on a global role. You might think Uber would be a very different story from BaubleBar, but the emphasis on making decisions quickly and constantly trying new things are common threads for these, and really all start-ups. Moving quickly for Uber meant making decisions at the local level. At first this meant the brand wasn't unified across markets, but their rapid growth quickly overcame this.

**Beth Huddleston:** The way we were organized enabled us to innovate really quickly. We pushed decision making down to the most local level possible, meaning we had city teams setting prices, negotiating deals with sports teams, and doing all kinds of things that in a much more grown-up organization would rightly be centralized. I think that enabled us to get from here to there.

What it also created was a situation in which we didn't have one resident brand voice. We didn't have one consistent customer experience. It created what I call a brand vacuum that then got filled with what was kind of the six-months-ago crisis that was, frankly, a huge gift for us. Because it's enabled us to evolve and to see where we needed to grow up. Because we're a little bit too big to be quite as risk seeking as we once were. A lot of it's been really internal HR processes; things that would not naturally seem as though they would translate directly into customer experience, but we started treating our people better, we started caring for them in a different way. And by our people, we also mean our drivers. So that population and culture of caring and of looking after people, I think, was a pretty significant change from where we were before and has become a very different customer experience for the millions of drivers that are on our platform.

**Stacey Haas:** The kind of agility you see in those stories from BaubleBar and Uber is really what so many larger and established companies are trying to do. Brian, Julie, and I also talked about that, so we'll rejoin that conversation now.

**Julie Bashkin:** I think start-ups, in whatever field they're in, they consider their DNA to be a tech company, because they're digitally native or digital first, as opposed to an apparel company or a food manufacturer. Large multinationals, if they're an apparel company, consider themselves to be an apparel company. Agility and even the term "agile" has now entered the vernacular, but it was borrowed from the tech industry. And the new entrants in the space don't consider themselves an apparel company or an accessories company.

They consider themselves tech companies that are delivering a service.

**Brian Quinn:** I actually think it's ironic that most people associate agile as being a digitally native practice. It actually started long before the digital revolution and if I'm not mistaken came out of the Toyota production system. A lot of Japanese manufacturers started to realize, "Hey, when we have some of these constructs like kanbans and team rooms and people working in a tightly integrated way, we end up moving a lot faster than we could otherwise." It's been naturally embraced by digital organizations and has been very much associated with that, but it came out of very analog roots.

In our experience, there's no reason that most products can't benefit from some of the agile routines and some of the agile ways of working. Certainly, things like consumer products or food and beverage, which, if we're honest, have meaningful technical challenges and meaningful engineering challenges, but not at the level of, for example, designing a new steam locomotive or a new jet engine.

**Stacey Haas:** I also think we talk about product innovation and how difficult it can be for a large company to create a new product that is either going to cannibalize some portion of their existing portfolio or it's just difficult to create, because you need to start it small and nurture and scale it to be big over time. When we think about new business models in larger companies it's almost like a clash of DNA. I really think we need to reframe this concept of the identity of the company. Am I a product company? Am I a food company? We're all in the business of solving consumer needs, and there's a lot of dimensions that can come from. But there's a reality that the way a lot of the bigger companies are set up—it's just not set to support different business models. We've got to create the space for something new and different to live inside of a bigger organization, which is just, frankly, very hard to do.

**Stacey Haas:** Stephanie Swingle, chief marketing officer at performance dress-shirt company Mizzen+Main also emphasized the need for established companies to streamline processes. She discussed how critical it is for large companies to become more agile and accelerate the product-iteration process to compete with digital natives.

**Stephanie Swingle:** I also think having more nimble processes is critical. The benefit of a large company is that you have so much knowledge and talent at your disposal, but the flip side to that is often that there are so many layers that you have to maneuver to really make something successful. You have to get alignment through very formal stage gates and multiple stakeholders. And that can really slow down iteration. If you're waiting for a stage-gate meeting that happens once a month and you have to wait until that meeting happens to make an adjustment to your plan or to make a decision on something that's business critical, then that time line just inherently becomes longer. And so providing that flexibility and that freedom to a core group of people who really are empowered to make those decisions on a more rapid and more fluid basis is just critical to competing with a lot of the more digitally native and smaller companies that are out there today.

**Stacey Haas:** The downside of speeding up decision-making processes is the potential to increase risk. Josh Hix, the technology entrepreneur who cofounded the meal-kit-delivery service Plated, shared his approach to balancing agility with risk by reducing most decisions to a series of small tests.

**Josh Hix:** There's this tendency to want to wait to make the decision. Internally we talk a lot about this idea of making the big decisions small. Which is, in some ways, about trying to manage that risk, because there are very few things that are properly existentially risky to the business. Those things need to be subjected to heavy diligence, to committees, and to layers of decision making, but most things you can reduce to small tests that are constructed in ways that are not that risky, especially in companies that have digital practices, which is probably everything these days, and certainly things that are digitally native. I find myself sitting in meetings and providing feedback to team members on the quality of the decision making and pushing them to just go do it. Because oftentimes they get hung up on, “Well if I do this, and if it fails, how will it look? And will people say that I didn’t ask enough people?” And so on. “Let’s regroup tomorrow, and I’m going to talk to some other people.” And sometimes I’ll wait, and sometimes I don’t have the patience for it. And I come back to the next meeting and say, “Look, if you had just gone and launched that feature yesterday, we’d have 10,000 people using it today, and we would have an answer. And if it wasn’t working, we’d turn it off. So just do it.” And that idea, I think, is not always natural to folks and takes tending in the sense that culture is a garden and you have to just work at it. But I do think that is a challenge to scale as you get bigger and have people that enter the organization that aren’t necessarily as risk seeking as the people that are crazy enough to join when there’s two, or five, or ten, or 20 people. There’s something to the personality type there, and something to the behavior of having a bigger team around you.

**Stacey Haas:** It’s clear the many layers that larger companies have can blur the focus and urgency around decision making, and even make accountability diffuse. Brian spoke to this point of how start-ups have the advantage of putting all their attention into one product or a project.

**Brian Quinn:** I’m coming at this question of what else enables start-ups to move quickly. One of them is just focus. For better or worse, most start-ups are betting their livelihoods and a significant amount of their own capital, be that human or financial, on one product and one project. Contrast that with what I run into in a lot of large organizations where you have a project manager, an innovation-project leader who’s juggling five projects at once, and juggling a set of teams where each of those team members are juggling somewhere between five to seven projects. The transaction cost, the friction that creates in actually trying to move quickly and make decisions quickly, all of the handoffs that happen when you have that much fragmentation, I think beyond anything I’ve seen, that is what leads most large organizations to move at a fraction of the pace that they could move. I hate to get into the buzzword territory of “agile,” but there’s something to higher allocation. Whether that’s 100 percent or, at a minimum, 50 percent. I’ve got a dedicated team, they’re colocated as much as I can put them together, and we force this notion that they’re going to make decisions quickly on a daily basis. That’s one of the biggest unlocks to actually moving at the speed the start-ups often move at.

**Stacey Haas:** I think both the focus and the accountability or decision making are critical elements to moving fast. In some of the bigger companies you think about the way decision making happens. The team itself might have a proposal, but then they’ve got to get six senior leaders together in a room at the same time. By the time I can make that happen, that could be two months from now, even for some of the smallest decisions, I’ve got to call someone, and I’ve got to got to meet with somebody in supply chain to understand capacity. That could be four days from now, which is just fundamentally different from what a start-up does, when the supply-chain person sitting right next to me is also the marketing person.

**Stacey Haas:** We’ve heard about how established companies can learn from a start-up’s ability to move quickly. But what about the advantages of scale? Some entrepreneurs we spoke with looked to drive scale through strategic partnerships. We’ll start with Daniella at BaubleBar, who saw an opportunity to partner with large retailers to build the BaubleBar brand through an event.

**Daniella Yacobovsky:** We ended up inviting all of the chief merchants from all of the retailers that we wanted to be inside of. We invited Nordstrom. We invited Bloomingdale’s. We invited the folks that we knew would be a really important part of us building our brand and building who we are as a company.

Shortly after that, we launched our first wholesale relationship with Nordstrom. To this day, they're one of our largest and strongest partners. We love the Nordstrom team. I think they're extraordinary merchants. They understand brands. They work very, very well with brands. And we think of that as profitable customer acquisition. It's an opportunity for customers to touch and feel the product. Interact with it in person. And it's an opportunity for us to do that without having to necessarily invest the extraordinary capital that it would take to roll out a full retail footprint. And that's not even counting the resources that you would need to bring in-house who would really understand how to do retail properly, which we could do if we wanted to but that was really the resource-light way to do it. We started with wholesale and we now have a thriving wholesale business. BaubleBar is sold domestically at majors like Nordstrom, Bloomingdale's, Shopbop, Neiman Marcus, soon to be Lalique. Internationally we are sold at large retailers like Selfridges and Harvey Nichols.

**Stacey Haas:** But not all partnerships are created equal, and the start-up has to get value out the partnership. Even a highly established start-up like Uber can struggle with the right partnership model. Listen as Beth Huddleston, Uber's general manager, shares some frustration with us.

**Beth Huddleston:** We really are a B2C company, and every time we try to partner with a grown-up company, we can't find the right person to talk to them, and it involves a lot of navigating through different groups: "Do we actually have a group that does that?" It's a little harder than it should be. And we're working on that. That's a big priority because we recognize that it's a huge area, particularly of travel and logistics, that we need to unlock. We shut down Uber Rush recently, our last-mile delivery-service business, because we just found that the economics didn't work. I actually don't think that had to do with a lack of B2B skills. I think that was more to do with, until some things changed about the economics of that particular business, or those types of partnerships, it's really hard for us, who don't have distribution centers to be able to make money on something that people may or may not be willing to pay for. Some of it is we beg for patience as we figure out how to do this. But other things are product cycles are a little bit quicker. Decisions get made a little bit more quickly. I think we need to evolve as a company in order to be good partners to the bigger organizations. I don't know that I have a lightning-rod piece of advice on how to make those partnerships successful, but I think over time we'll get there.

**Stacey Haas:** As we just heard, partnerships can be complex, but they can be an effective vehicle to scaling, especially with noncompetitive partnerships. Brian, Julie, and I discussed how established companies do not necessarily need to perceive start-ups as simply the enemy or, when the start-up is successful, an acquisition target.

**Julie Bashkin:** I think a lot of the world is positioned in a binary of us versus them. The start-ups are battling the incumbents. But in reality, there's a lot of collaboration going on. There are a lot of partnerships and joint ventures and investments and other things that are going on where the large companies are investing in the smaller companies and leveraging their capabilities, while also lending them their own.

**Stacey Haas:** I think the big CPGs [consumer-packaged-goods companies] should think about partnerships all the way along the development process. And it can be with companies of varying sizes. From ideation all the way through to manufacturing and distribution. I think it's a huge opportunity when we think about more disruptive innovation. Even if I took just the R&D, product-development or business-development process, even a big company that's got a lot of resources, if I'm doing something that's new and different, I don't want to have to house all those resources internally.

**Brian Quinn:** Even if you could, right?

**Stacey Haas:** Yeah.

**Brian Quinn:** It's also the other fallacy, which is all of the people I need in the world actually work for me. And it's wonderful if that's the case. It's not true for anybody.

**Stacey Haas:** And why put all that cost structure on you? Another way to move faster and de-risk the innovation is to not take on all of the cost internally. You can find so many people now that can actually help with the product development that aren't a part of your organization. I think companies should think end to end on opportunities to partner, and I think start-ups are a fantastic place to go. They don't have to be the enemy of the big, nor do you have to wait until you see that they're successful to go buy them. Partnering with them for their technology, their product, whatever it may be, is a huge opportunity.

**Brian Quinn:** I also see this dichotomy of conflict between what companies think of as their organic or internal innovation engine and their external innovation engine. As opposed to seeing that as all part of one seamless system where at every step I may have the initial inkling of the opportunity. I've identified this very valuable problem. I've got an initial concept. The first scan should be, actually way before that, who else is trying to serve that problem? Do we like what they're doing? Are they somebody we could work with? Would that be a faster way for us to find a way to serve that consumer, versus us trying to invent all of it ourselves and constantly frame them as competition as opposed to potential allies or partners?

**Stacey Haas:** Brian, you also bring up a really important point or opportunity, particularly for the big companies, in the scanning. You can do it for partnerships, but they could also do it for internal development. Which is to say, there is often this belief in the big companies, particularly if they're a category leader, that they need to be the first to market to be successful. And I think we've seen what matters the most is the first to scale. Our research in a subset of categories would say, in the US, 80 percent of the time the market leader in some high-growth categories was not the one who invented the product. It was a second or third entrant. This is one of the places where big companies have a real opportunity. They can really see what's going on in the market and follow on a trend pretty quickly, and get that to scale more than some of the start-ups can.

**Brian Quinn:** Yes. So long as they can actually embrace some of the things we've talked about, in terms of what enables them to move more quickly.

**Stacey Haas:** Brian, Julie, and I also talked about how the economics of partnerships simply have to work. This is a point that sometimes gets overlooked.

**Brian Quinn:** In terms of working with start-ups, this is definitely something I've explored in a number of different contexts. And particularly where you get into a type of situation where we're actually doing minor equity investments or we're even trying to do things like creating an incubator and accelerator that we will attract start-ups to. Most start-ups will time and time and again talk about access. And in their language, "curated access." "How do I help navigate this gigantic organization that I'm not familiar with, that I know has tremendously valuable resources to me? I believe I have something of value to bring to them, but the number of bureaucratic, administrative, and organizational brick walls I need to run through to do that becomes so frustrating that very often nothing productive comes of it." I think that's particularly true if you're trying to learn something from a technological perspective, or even a marketing perspective, that we see the start-up doing that we want to try to bring inside our organization. That will not happen naturally. That is a job. Somebody needs to be thinking about, "OK, how do I actually connect this start-up with the right people inside of this organization? And I'm going to manage that." That is not a natural act, and it's not going to take care of itself.

**Julie Bashkin:** And then on a basic level, I think the economics have to work for everyone, which I know sounds like a truism. But we heard from Uber that their last-mile delivery partnerships did not ultimately work for them. The partners benefitted, but Uber didn't make the economics work. And sometimes I think the large companies don't always think about that as well. If the economics are not sustainable for the other partner, whether it's a start-up or not, ultimately that relationship will not have longevity.

**Stacey Haas:** Let's change our perspective now and discuss the advantages big companies have that they can use to innovate. First, we'll hear from Stephanie at Mizzen+Main, who talked about how big companies have access to detailed consumer insights, and also how just being around a larger group of people in established companies can offer an employee experience that's richer in many ways.

**Stephanie Swingle:** When we think about the guest room or garage model of incubation, which is what happens when someone's starting from a very scrappy place, they are getting to know their consumers very intimately. That first customer is probably a friend of the garage entrepreneur, and so he's getting that direct and probably very candid feedback on how the product performs and where the optimization opportunities exist. I think that's something that can be carried really well into the big company environment, where you're getting those consumer insights very early and very frequently and also creating the right candid channels for communication. So, making sure that you're structuring your insights gathering in a way that incentivizes consumers or gives them an open opportunity to give that input.

There are a lot of things that I miss about being in a large company, and reporting and capital are two very important ones. But beyond that, I think the investment that companies are making in their people and then just the talent itself that you get exposed to within a large organization are two things that are difficult to replicate when you move over to smaller environments. Two very competitive advantages that large companies maintain is having strong leaders and investments in things like training and the scale to make those trainings really incredible. When in past companies, I felt very, and this sounds like an odd thing to say in a corporate environment, but very cared for. I felt like my career was monitored and attended to, not just by me, but by my managers and by the leadership of the companies I was a part of, and that was a great feeling, and it builds a lot of loyalty. I think in many cases it even offsets some of that economic upside that they can have in a smaller company because you have that emotional connection with the company that you're a part of. I also think just the day-to-day exposure to a really broad group of people is something that's difficult to experience when you're obviously on a smaller team. You learn so much in passing from different people working on different things and having fully baked functional groups where you can see different experiences and see different work streams. There's the learning piece of that, there's the cultural piece of that, and then there's, honestly, the activation piece of that. Having resource capital from a labor perspective, from employees willing to roll up their sleeves and do something, having that available to you to chase different opportunities is something that's so valuable. And when you make the move over to a smaller company, you realize how good you had it with full teams of people who are able and willing to deploy for the right priorities.

**Stacey Haas:** Large companies also have access to resources that most start-ups can only dream about. Here's Daniella from BaubleBar discussing the benefits of a large resource pool with Stephanie from Mizzen+Main.

**Daniella Yacobovsky:** I think there are a lot of things that large companies have that we don't have. Obviously resources and capital, but also connections. I think the ability to get in touch with like-minded folks across their industry at larger scale. People who really have experience. One thing we all know as entrepreneurs is just try it, see what happens, figure out what you broke, and then don't ever repeat that decision ever again. But I think the more that you can learn from folks with experience the better. I can say one of the things that we've learned so much from is working alongside larger retailers. The learnings that we've taken away from some of the merchants that we work with are through the roof. They've just been there, they've seen it, they've done it. And there's so much that you can take away from experience.

And then I think the question is, how do you marry that with remaining nimble and still moving quickly? And still being willing to experiment, and try, and not being afraid of the results. And I think when you marry the two together is where you have magic.

**Stephanie Swingle:** I really miss the reporting. It sounds like a silly thing. I miss having media reports. I miss having market reports. And I miss having the access to knowledge capital that you do when you're in a larger organization. Both internally and externally with a lot of the consulting partners and the agency partners. Those are things that I dream about and I do really miss. But on the flip side, to Daniella's point, there can be a decision paralysis that comes out of that. It's really important to balance that agility and that nimbleness. And be willing to take risks despite sometimes data not being totally conclusive or not having the full picture.

**Stacey Haas:** To Daniella's and Stephanie's point about institutional knowledge, some of the advantages big companies have are more cultural or intangible, like their history and access to connections. Brian, Julie, and I talked about this a bit.

**Brian Quinn:** One asset that a lot of large organizations have is the history they have in the category. As much as that can sometimes lead to conventional wisdom and stale thinking setting in, it also can be this enormous treasure trove of actually having tracked what worked. What didn't work? Why didn't it work? If those organizations could get more disciplined around postmortems and tracking that over time and making that institutional knowledge accessible by everybody in the organization as opposed to embedded in the hearts and heads of people who've been there for thirty years, that could be a massive advantage that I don't see well documented in lots of places.

**Stacey Haas:** There's no doubt that the big companies have a tremendous amount of access. There's a lot of doors that will open for them. I think it's actually difficult for them to open the smaller doors, which are some of the partnerships potentially with the start-ups and others that can create value. Because the work that's required to go and understand all of those smaller potential opportunities, it just is real work, right? And you do need to allocate resources to do it.

I think economics more broadly is a big question and topic. It's one of the biggest stumbling blocks I see on the big companies and what separates them from some of the start-ups is actually the broader economics of innovation. And I think there's this disconnect between what is often the aspiration of what innovation will deliver and the economics, particularly in the early years of an innovation, that drives a lot of the challenges that big companies have. I've seen a number of companies where the metric for innovation is accretive gross margin from day one. Well, you will never create anything disruptive if that's the metric by which you're going to measure an innovation. But the big companies have a reality. Most of them are public. They have EBIT [earnings before interest and taxes] targets they have to hit. There's a real issue there to solve. And so you've got to be driving cost reduction in other places and thinking carefully about how you de-risk innovation and how you match the investment to the stage that it's at so that you can drive the longer-term growth of the business, but without putting at risk the near-term financials.

We hope the insights from these entrepreneurs and our McKinsey experts provided you with ideas about how to win with innovation.

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