

Event Title 3rd Annual Growth Innovations and Leadership 2007

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Session Title Go-No-Go Knowing What to Bank On

Top 3 Take-Aways for Participants

The coherent view: Every idea or concept has multiple strategies, probabilities of success and an NPVs.

The most conducive way to make a call on go/no go is to leverage cross functional group in a facilitated setting.

Strategy development & shaping/morphing are the keys to ultimately making the “Go/No Go” call.



Go/No-Go: Knowing What to Bank On

Sprint Nextel

Charles Stunson

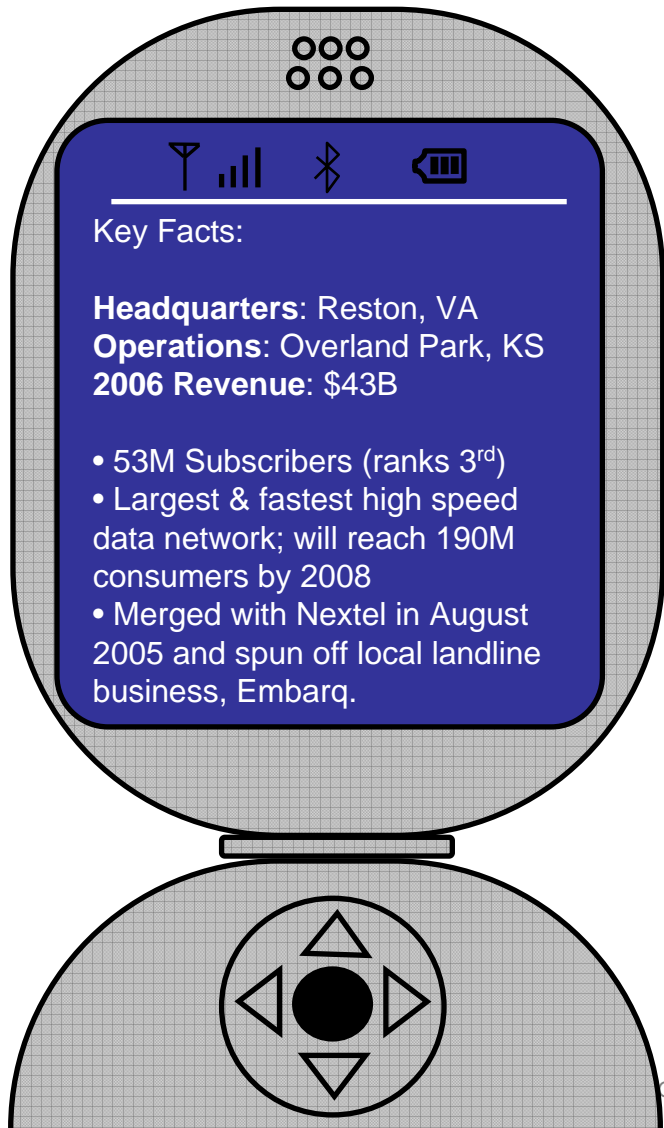
Go-No-Go Knowing What to Bank On, June2007

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Company Overview – Sprint Nextel



Cable Brands



Wireless Telecomm Brands



Key Products:

- Quadruple Play: consumers can purchase phone, internet, cable and wireless services on one bill.
- Promise to link cell phone and cable TV in the future.

Key Products:

- Digital Lounge: features Sprint TV & Radio
 - Satellite radio
 - Live TV (19 channels)
 - Music (15M sold)
- Promise of WiMax (4G)

Why Innovate?

Network Evolution	Characteristic of Network	Wireless Industry Strategy	Key Products	Wireless Carrier Capabilities
1G <i>circa: 1985</i>	Analog, voice-centric Speed: 14 kb/s	Deliver voice anywhere	Voice	Engineering & Network
2G 2.5G <i>circa: 1992</i>	Digital, data-centric Speed: 144 kb/s	Deliver data anywhere	Data (text message, WAP)	Build up better Marketing, Devices & User Experience
3G <i>circa: 2002</i>	Digital, data-centric Speed: 2Mb/s	Increase data penetration through a proliferation of data products	Data (Music & Video)	Build up partnering organization to create products
4G 2009	Digital, data-centric Speed: 4Mb/s	???	???	???
<i>Trends</i>	<i>Further increments in speed <u>alone</u> will no longer win over customers</i>	<i>There has been a shift from voice to a proliferation of applications.</i>	<i>Value to the customers is Internet on the go. A killer app is needed!</i>	<i>Organizations become more complex over time move away from the core</i>

The key to growth is to work through plateaus and find the next killer app

Defend “Castles” and Create “Ships”

General Business Unit



- Continue the evolution of current product roadmap
- Invest in current assets
- Development process for products is measured by lagging indicators
- Goal is to increase annual revenue per users (ARPU metric reported to the Street)



Emerging Products Group



- Eye toward the future look outside of the company
- Create new assets
- Disruption of other industries
- Goal is to identify new business models and new ways of doing business

The General Business Unit defends, while the Emerging Product Group explores.

The Problem: “Castle” habits do not work for Ships

Mastered the following

- Focus on identifying customer unmet needs
- Creating technology
- Leveraging partnerships to create a marketable asset

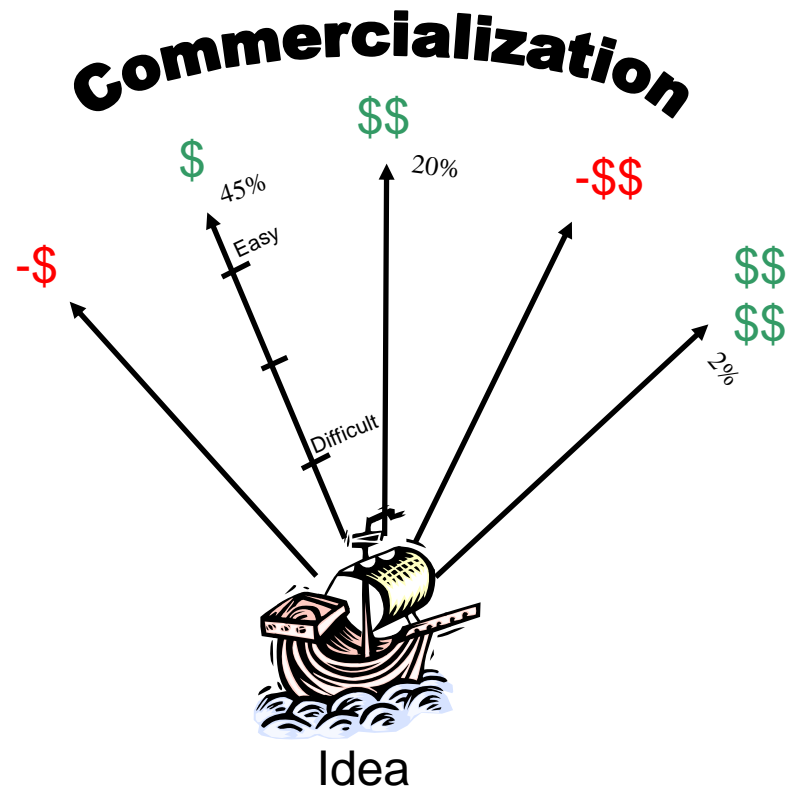
Problem Area

- We have been driven by financially-oriented business cases using models familiar in the wireless phone industry.
- How do we Increase odds of commercialization?
 - Confidently kill or morph concepts
 - Address risk & uncertainty
- How do we get the team on the same page (shared resources staffing model) & allow for learning?

SmartOrg Helped Create a Coherent View.

Key Principles

1. Every idea has multiple paths to commercialization or strategies. (strategy table)
2. Within each strategy there are absolute necessary actions that will realize the strategy and probability of success. (identifying risk)
3. Each strategy has an NPV. (valuation)



Before: Tunnel vision strategy development

Example Product & Strategy: A service that will work on any mobile phone carrier's network; tracks kids that own cell phones; alert parents via text and email, with the following features:

- (i) Geofence is breached
- (ii) Not in the right location for a given time of day
- (iii) When the phone is turned off

Effects of this approach:

- The audience generating the strategy tends to focus on a component of the strategy, for example technology.
- This form constrains the thinking of how to go about executing the strategy
- Go/No Go Dilemma: Should we embark on this voyage or not?

After: Real options strategy development

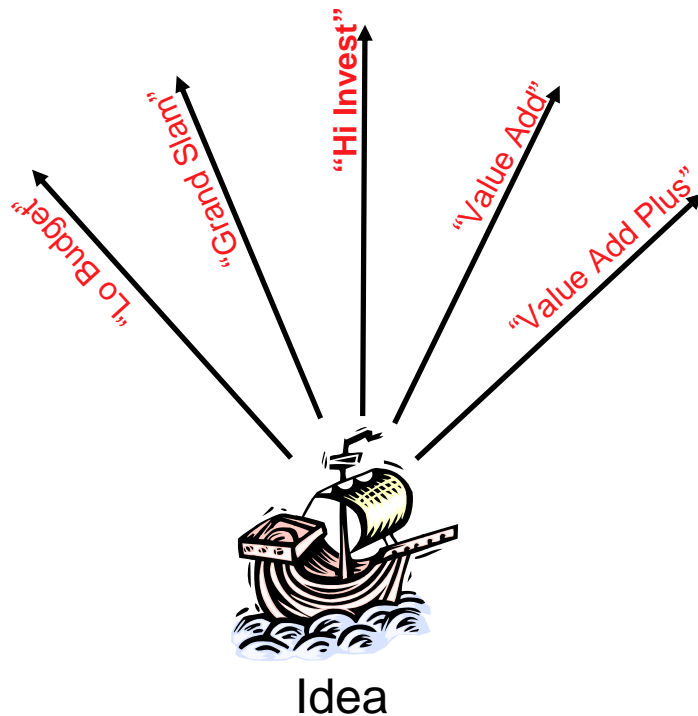
Strategy Name	Customer	Brand	Channel	Carrier Exclusivity	Alert Type	Features
Lo Budget	Consumer	New Brand	WalMart	All carriers	Email & SMS	3
Grand Slam	Consumer	Co-Brand	Sprint Retail	Sprint & Virgin	Email & SMS	2
Lo Risk	Consumer	White Label	CStore	Sprint & Boost	SMS only	1
Value Add	Business	Sprint	Sales Force	Sprint	Email & SMS	3
Value Plus	Business	MVNO	Sales Force	NA	SMS only	3

Effects of this approach:

- Leverages diverse team (finance, R&D, marketing, etc.), thus the strategy components will be more thought out.
- This form explores many strains of the strategy, which allows the group to “design” several approaches to the business, not just one.
- Go/No Go Dilemma: Which voyage should we embark on first?

Key Principle: Generating Options – Strategy Table

Commercialization



Impact:

- *Improved efficiency:* we spent 9 weeks working on strategy, and barely got one. With this approach, we got four in 2 days.
- *Improved effectiveness:* coordinated innovation across multiple disciplines and got the team on the same page.

Before: Identifying “insignificant” risk

Quadrant	Risks	Mitigation Plan
User	Privacy issues may cause concern.	Consider other features for the product
Technical	Turning off the phone remotely has not been done before	Consider increasing testing before trial
Organizational	Network has too many projects in queue	Socialize plan among key constituents.
Commercial	GPS services start at \$15 per month	Determine if there are other methods of locations, (e.g. triangulation)

Effects of this approach:

- Risk is fairly general and nebulous.
- Risks don't necessarily fit neatly in silos as listed above and it is difficult to see how the risk interact.
- Risks are not actionable.
- No basis for prioritizing risks.

After: Identifying project critical risk

Before mortgaging your house on the concept, what do you need to see?



"Grand Slam"	Metric	Probability
Technology development	Tracks within feet indoors	95% (easy)
Trial	90% will buy product	80%
Channel Agreement	Will sign an LOI	50% (difficult)
Total Probability		38%

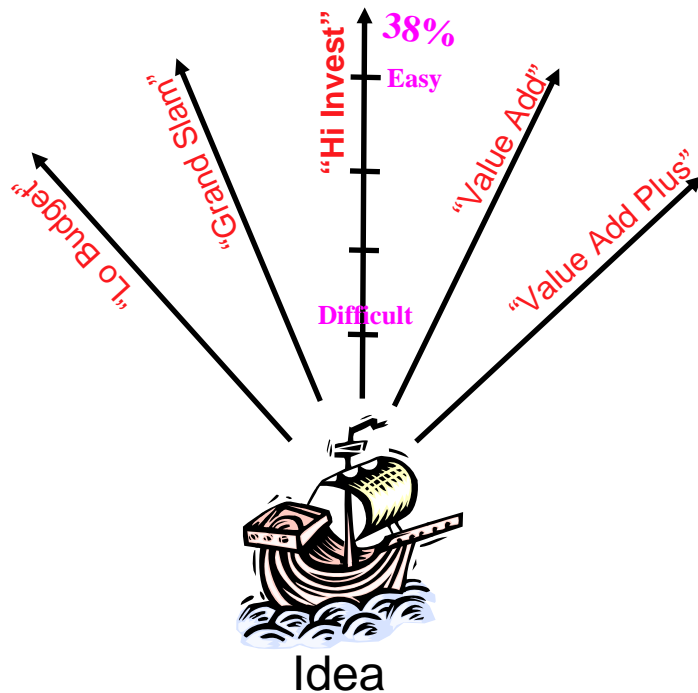


Effects of this approach:

- Provides a project view (all encompassing) of a chosen strategy
- Risk is project specific and relevant due to the diverse group in the session.
- Would you be able to make the call to go or not?
- Can compare difficulty of strategies quantitatively.

Key Principle: Identifying & Quantifying Risk

Commercialization



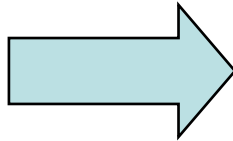
Impact

- *Improved efficiency:* We were spending lots of time on risks which were not that significant.
- *Improved effectiveness:* Ability to learn faster by failing early and adjusting our strategy.

Before: The valuation guessing game...

Assumptions:

- Take Rate
- Market Size
- Market Share
- Ramp Up
- ...



PRO FORMA			
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenue	3M	6M	9M
Costs	6M	7M	8M
Margin	(3M)	(1M)	1M

Effects of this approach

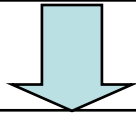
- Does not allow you to innovate around the business model, here the business model is constant – subscription model
- Hides high areas of certainty
- Not the correct tool for highly uncertain businesses opportunities.
- Gives impression of precision based on difficult to support assumptions.

After: Focusing on driving value up

1: What is known / unknown about key economic factors?

e.g. Channel deal

- High: we use own channel, we go direct, we do deal with X or Y
- Low: we stay in traditional channel, we do deal with P or Q, we need lots of floorspace

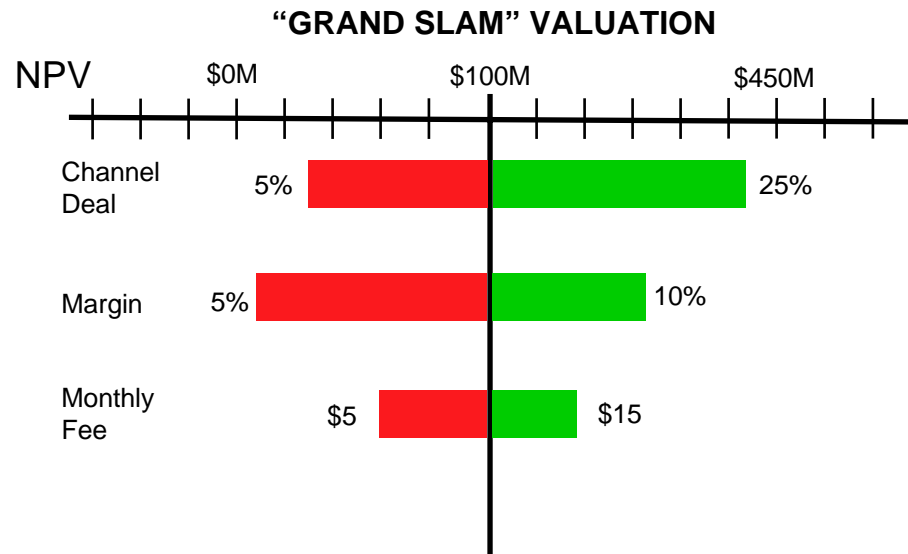


2: What is the possible range of the factor given our uncertainty?

e.g. Channel deal

- High: 25%
- Base: 10%
- Low: 5%

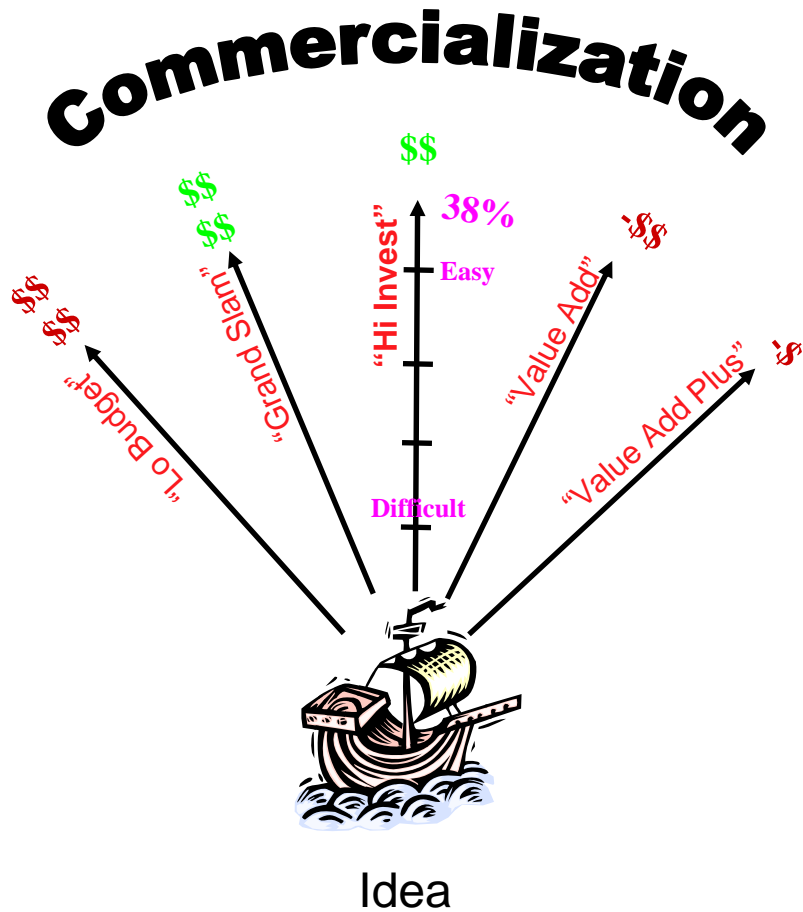
3: What is economic impact of that uncertainty?



Effects of this approach

- Each variable accounts for the range of variability
- Top three variables are clearly illustrated
- Helps to filter non-essential data and stay focused!

Key Principle: Valuation



Impact on efficiency:

- Reduce time spent on issues that have little impact

Impact on effectiveness:

- Weed out the weak strategies
- Focus on the variables within these strategies that will create value!

Summary

Principle	Before	After	Real Life Example
Generating options	Constrained in thinking that there is one path to take	Identified multiple paths and encouraged to take one run into the ground	Improved productivity by 350% and generated 4 times the output
Identifying & quantifying risk	Identify risk that was extraneous and sometimes had little bearing on getting to market.	Risk was project specific and used as a method to quantify for comparing one strategy to another.	Killed two strategies in a matter of weeks and are currently focusing on the last strategy to date.
Uncertain Valuation	Constrained in of telecommunications business models.	Provided direction and focus on the variables that mattered most.	Discovered that a key variable that we we putting off doubled NPV.



Q & A

Got ideas?

Submit them at: www.sprintinnovations.com