



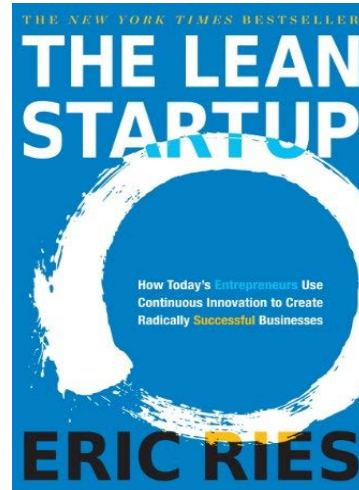
THE LEAN STARTUP METHODOLOGY



IMPORTANT AUTHORS AND ENTREPRENEURS



Eric Ries



Edition 2011, Eric Ries
The *New York Times* Bestseller
"Mandatory reading for entrepreneurs"
Dan Heath



Steve Blank



WHAT IS A STARTUP?

“A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty”

Eric Ries

WHAT IS A STARTUP?

Let's dispel some Myths

1. You don't have to work in a garage to be in a startup
2. Startups are not smaller versions of large companies
3. Not any small business is a startup
4. Startups also deals with bureaucratic commitments

Let's outline the main characteristics

1. Startup deals with uncertainty, contrary to most businesses (large and small alike)
2. Failure needs to be seen as a useful tool for learning
3. A startup is greater than the sum of its parts; it is an acutely human enterprise.
4. A startup is an organization formed to search for a replicable and scalable business model.

SUCCESSFUL STARTUPS



DROPBOX

- ❖ Founded: 2007 by Drew Houston, Arash Ferdowsi
- ❖ **Lean Startup Methodology principles:** 3 minute video which demoed their product's first build, explained their core value proposition and demonstrated how easy it was for people to share files across their devices.
- ❖ Results: in 15 months, it went from 100,000 registered users to over 4,000,000.



AIRBNB

- ❖ Founded: 2007 by Brian Chesky, Joe Gebbia
- ❖ **Lean Startup Methodology principles:** the approach has been to focus on reinforcing the core experience following **constant user feedback** rather than adding unnecessary features
- ❖ Results: Airbnb is now worth an estimated \$30 billion and is used in 191 countries around the world.

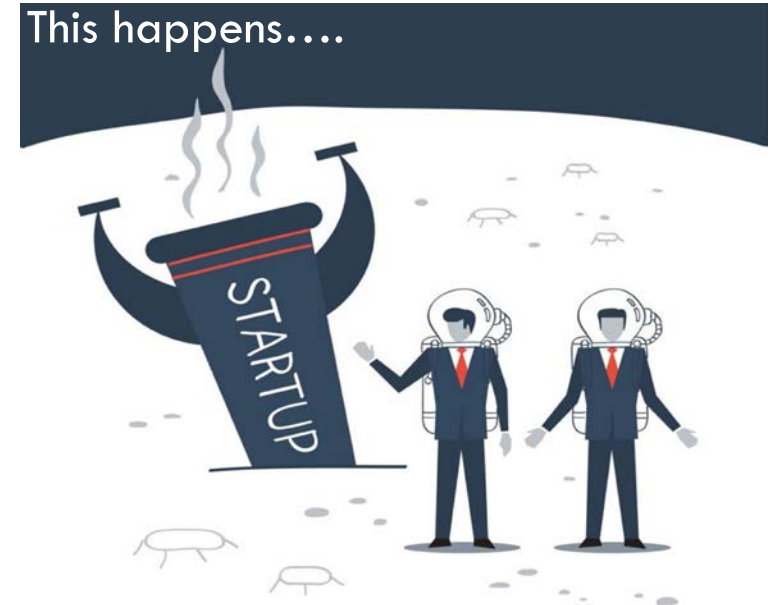


UBER

- ❖ Founded: 2010 by Garrett Camp, Travis Kalanick
- ❖ **Lean Startup Methodology principles:** Uber was a simplified mobile interface only used by the founders and their friends. To gain access you had to email one of the founders. Features that we now use were slowly introduced.
- ❖ Results: Uber is valued at an estimated \$68 billion and is active in 77 countries.

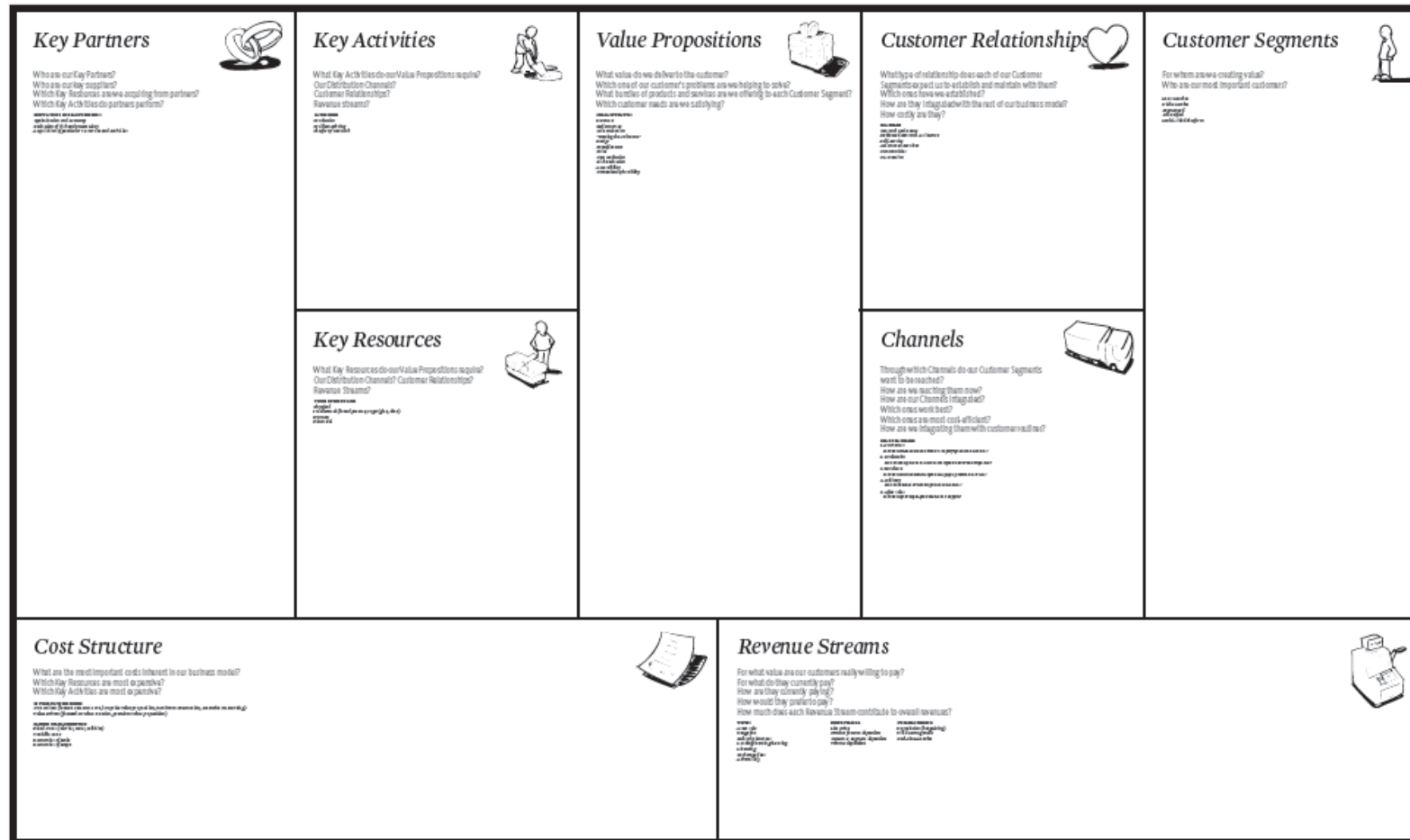
WHY STARTUP FAILS

- ❖ **More than 90 % of startup fails**
- ❖ **Underlying problem:** startup founders and investors are not aware of the context in which they operate, they continue to emulate large companies and think that they will achieve success.
- ❖ **Main belief:** all we need to do is draw up a **Business Plan** with the utmost accuracy, and then just execute it.
- ❖ **For 40 years** we have been convinced that executing this plan worked to achieve **success**
- ❖ *“No Business Plan survives first contact with customers”*. Steve Blank https://www.youtube.com/watch?v=_eUoae9IHpY



...when traditional methods, suitable for stable environment and existing companies are applied.

BUSINESS PLAN VS BUSINESS MODEL CANVAS



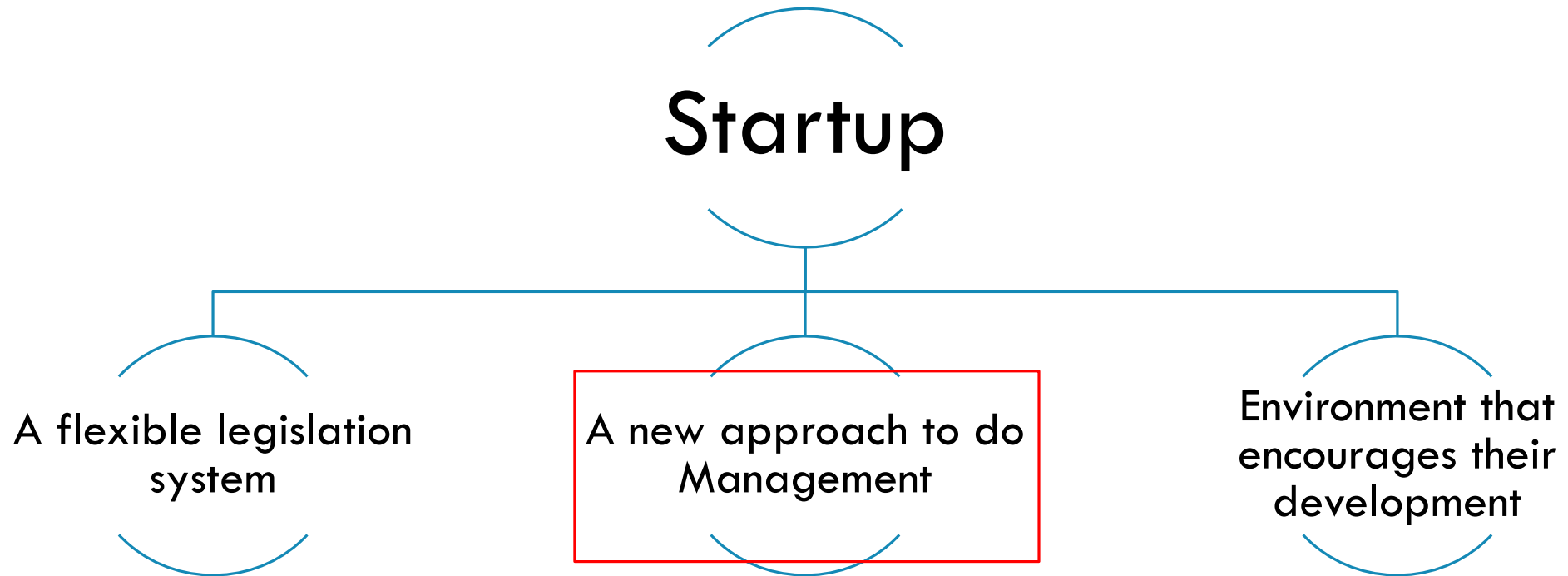
This does not mean that we must never formulate an operational plan, but only that before doing so we need a certain fact/evidence → **"Get out of the building"**.

A suitable tool for organizing these facts is the proposed Business Model Canvas by **Alexander Osterwalder**. It is a dynamic, flexible model that is updated day by day. In this case the business model is built progressively and evolves along with the company business.

BUSINESS MODEL CANVAS

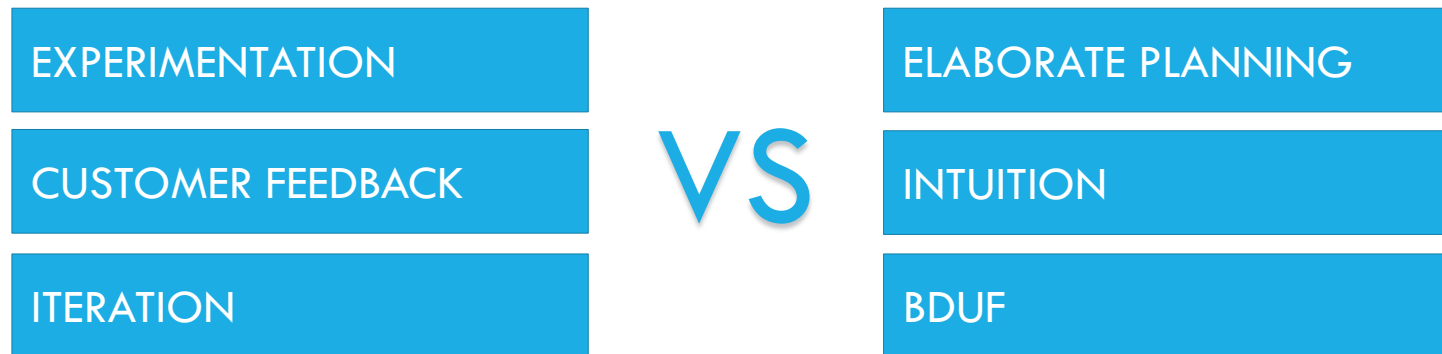
1. **Key partners:** network of suppliers and partners that make the business model work. (business, manufacturers..)
2. **Key activities:** strategic activities a company must do to make its business model work. (R&D, control of production and manufacturing, manage website and online order, Marketing and promotion of the product...)
3. **Key resources:** internal resources allowing the development of **key activities** and the creation of the **value proposition**. (physical, human, intellectual)
4. **Customer relationship:** types of relationships a company establishes with specific Customer Segments. (co-creation, personal assistance, community)
5. **Customer segments:** practice of dividing a customer base into groups of individuals that are similar in specific ways, such as age, gender, interests and spending habits to identify one or more Customers segments whose value proposition is delivered.
6. **Channels:** tools used to reach its customer segments and deliver the **value proposition**. (PoS, online sale/distribution)
7. **Value proposition:** bundle of products and services that created value for a specific **customer segment**.
8. **Cost structure:** all costs incurred to operate a business model.
9. **Revenue streams:** represents the cash a company generates from each Customer Segment

WHAT STARTUPS NEED



THE LEAN STARTUP METHODOLOGY: A NEW METHOD TO DO MANAGEMENT

Core concepts of the LEAN STARTUP vs Core Concepts of the TRADITIONAL MANAGEMENT approach

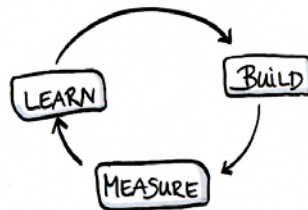
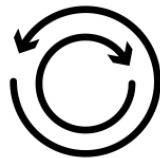


Roots

- ❖ Lean Manufacturing (Toyota) Taiichi Ohno e Shigeo Shingo. Philosophy: "Genchi Genbutsu" meaning "Go and See for yourself to thoroughly understand the situation".
- ❖ Design thinking
- ❖ Customer and Agile development - Steve Blank

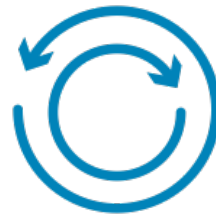
THE METHODOLOGY IN DEEP

Lean Startup challenges the traditional management practices of today's biggest companies. The methodology entails the following 3 main phases: vision, steer and accelerate.



THE METHODOLOGY IN DEEP: VISION

Validated Learning: implies the launch of empirical experiments/test on **2 testable hypotheses about your business**, to see if customers are willing to adopt the new product.



❖ **Value Hypothesis:** verifies if a product or service brings value to the customer. (is the product valuable to customers?)

❖ **Growth Hypothesis:** evaluates how the product spreads from the **early adopters** (the first users of the product) to the **mass market**. (how to obtain and retain customers?)

Potential of Early adopters:

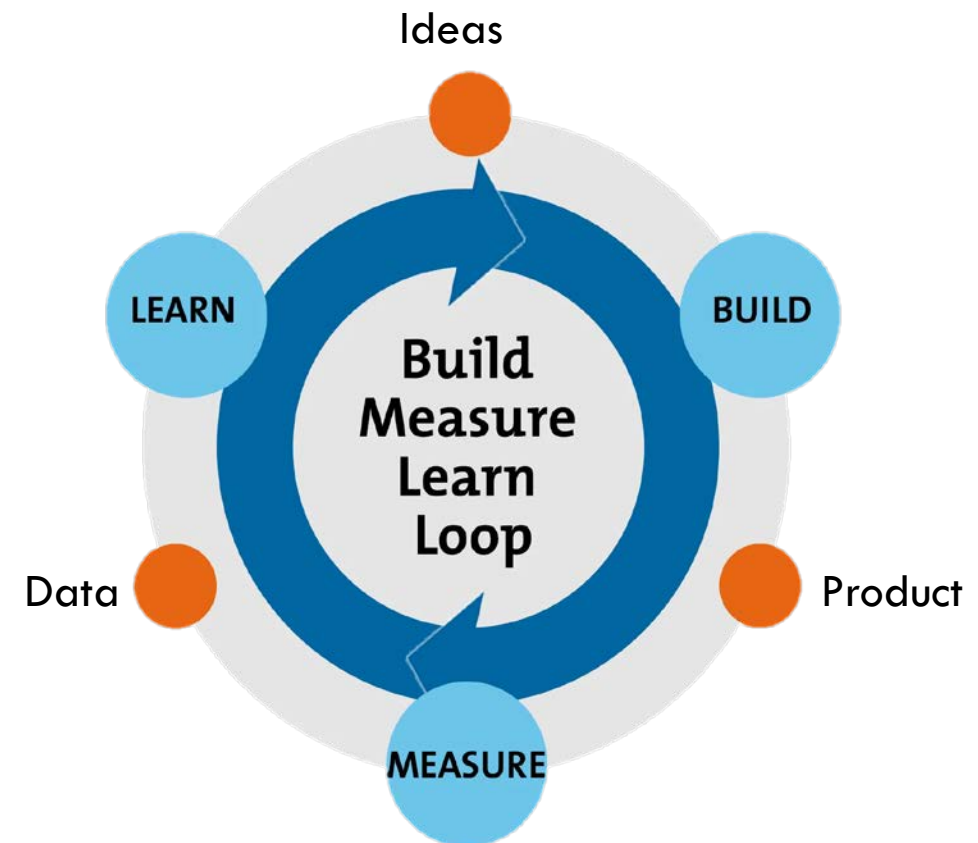
- ❖ Market Niche
- ❖ The 80% prefer a solution, not a perfect product.
- ❖ What matters to them is to be first to adopt the new product/service.
- ❖ Their feedback are crucial, they fill in any product gap

Minimum Viable Product (MVP):

Thanks to the experiments, the launch of first products (MVP) enable to gather accurate data on the target (*much more valid than a market research*).

THE METHODOLOGY IN DEEP: STEER

1. To be a "startupper" you have to create an idea, a product, which is an experiment, then improve it based on feedback and continue until you get to the product that customers want. This procedure consists of following the **Build-Measure-Learn** (BML) feedback loop, core of the Lean Startup method
2. Once empirically validated the hypothesis (value and growth), the idea is to create a **MVP** that lacks many functionalities in order to complete the **BML** and scientifically test the hypothesis with minimum effort and time.
3. Once the product is launched, its impact must be measured. We use **innovation accounting**: it objectively demonstrates if you are creating a sustainable business. This system transforms the 2 hypotheses into a quantitative financial model.
4. It evaluates if it is time to **pivot** or make a structural course correction to test a new fundamental hypothesis (product, strategy and engine of growth).



THE METHODOLOGY IN DEEP: ACCELERATE

Startups must take into account several decisions and analyse their different nuances.

- ❖ For example, they must evaluate **when to launch a product**;
- ❖ They must quantify **how many resources to invest**;
- ❖ And finally, they must also **maintain an organization that allows employees to remain encouraged** and continue to do **validated learning**.

Lean Startup also wants to convey techniques that allow startup to be agile:

1. **Small batches:** allow to discover upstream any "bug" in the production process, enabling the correction of errors before resources/time/money are spent (eg Toyota). By reducing the batch size the **BML cycle loop** is completed more quickly.
2. Other take inspiration from JIT and WIP techniques. The aim is to reduce stock as they represent a costs and turn processes from push to pull.



IT'S YOUR TURN: CREATE YOUR OWN STARTUP!

In group, fill in the **Business Model Canvas**.

Observe, Reflect, Make and ... try to come up with an innovative and human-centred idea!

TIPS

You can take inspiration from the following themes:

- Environment & Sustainability
- Welfare
- Digital transformation

