

THE LEAN STARTUP



How Today's **Entrepreneurs** Use
Continuous Innovation to Create
Radically **Successful** Businesses

ERIC RIES

Acclaim for THE LEAN STARTUP

“The Lean Startup isn’t just about how to create a more successful entrepreneurial business; it’s about what we can learn from those businesses to improve virtually everything we do. I imagine Lean Startup principles applied to government programs, to health care, and to solving the world’s great problems. It’s ultimately an answer to the question How can we learn more quickly what works and discard what doesn’t?”

—Tim O’Reilly, CEO, O’Reilly Media

“Eric Ries unravels the mysteries of entrepreneurship and reveals that magic and genius are not the necessary ingredients for success but instead proposes a scientific process that can be learned and replicated. Whether you are a startup entrepreneur or corporate entrepreneur, there are important lessons here for you on your quest toward the new and unknown.”

—Tim Brown, CEO, IDEO

“The road map for innovation for the twenty-first century. The ideas in The Lean Startup will help create the next industrial revolution.”

—Steve Blank, lecturer, Stanford University,
UC Berkeley Hass Business School

“Every founding team should stop for forty-eight hours and read The Lean Startup. Seriously, stop and read this book now.”

—Scott Case, CEO, Startup America Partnership

“The key lesson of this book is that startups happen in the present—that messy place between the past and the future where nothing happens according to PowerPoint. Ries’s ‘read and react’ approach to this sport, his relentless focus on validated learning, the never-ending anxiety of hovering between ‘persevere’ and ‘pivot,’ all bear witness to his appreciation for the dynamics of entrepreneurship.”

—Geoffrey Moore, author, *Crossing the Chasm*

“If you are an entrepreneur, read this book. If you are thinking about becoming an entrepreneur, read this book. If you are just curious about entrepreneurship, read this book. Starting Lean is today’s best practice for innovators. Do yourself a favor and read this book.”

—Randy Komisar, founding director of TiVo and author of the bestselling *The Monk and the Riddle*

“How do you apply the fifty-year-old ideas of Lean to the fast-paced, high-uncertainty world of startups? This book provides a brilliant, well-documented, and practical answer. It is sure to become a management classic.”

—Don Reinertsen, author, *The Principles of Product Development Flow*

“What would happen if businesses were built from the ground up to learn what their customers really wanted? The Lean Startup is the foundation for reimagining almost everything about how work works. Don’t let the word startup in the title confuse you. This is a cookbook for entrepreneurs in organizations of all sizes.”

—Roy Bahat, president, IGN Entertainment

“The Lean Startup is a foundational must-read for founders, enabling them to reduce product failures by bringing structure and science to what is usually informal and an art. It provides actionable ways to avoid product-learning mistakes, rigorously evaluate early signals from the market through validated learning, and decide whether to persevere or to pivot, all challenges that heighten the chance of entrepreneurial failure.”

—Noam Wasserman, professor, Harvard Business School

“One of the best and most insightful new books on entrepreneurship and management I’ve ever read. Should be

required reading not only for the entrepreneurs that I work with, but for my friends and colleagues in various industries who have inevitably grappled with many of the challenges that The Lean Startup addresses.”

—Eugene J. Huang, partner, True North Venture Partner

“In business, a ‘lean’ enterprise is sustainable efficiency in action. Eric Ries’s revolutionary Lean Startup method will help bring your new business idea to an end result that is successful and sustainable. You’ll find innovative steps and strategies for creating and managing your own startup while learning from the real-life successes and collapses of others. This book is a must-read for entrepreneurs who are truly ready to start something great!”

—Ken Blanchard, coauthor of The One Minute Manager®
and The One Minute Entrepreneur

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to Create Radically Successful Businesses

Eric Ries



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For Tara

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Introduction

Stop me if you've heard this one before. Brilliant college kids sitting in a dorm are inventing the future. Heedless of boundaries, possessed of new technology and youthful enthusiasm, they build a new company from scratch. Their early success allows them to raise money and bring an amazing new product to market. They hire their friends, assemble a superstar team, and dare the world to stop them.

Ten years and several startups ago, that was me, building my first company. I particularly remember a moment from back then: the moment I realized my company was going to fail. My cofounder and I were at our wits' end. The dot-com bubble had burst, and we had spent all our money. We tried desperately to raise more capital, and we could not. It was like a breakup scene from a Hollywood movie: it was raining, and we were arguing in the street. We couldn't even agree on where to walk next, and so we parted in anger, heading in opposite directions. As a metaphor for our company's failure, this image of the two of us, lost in the rain and drifting apart, is perfect.

It remains a painful memory. The company limped along for months afterward, but our situation was hopeless. At the time, it had seemed we were doing everything right: we had a great product, a brilliant team, amazing technology, and the right idea at the right time. And we really were on to something. We were building a way for college kids to create online profiles for the purpose of sharing ... with employers. Oops. But despite a promising idea, we were nonetheless doomed from day one, because we did not know the process we would need to use to turn

our product insights into a great company.

If you've never experienced a failure like this, it is hard to describe the feeling. It's as if the world were falling out from under you. You realize you've been duped. The stories in the magazines are lies: hard work and perseverance don't lead to success. Even worse, the many, many, many promises you've made to employees, friends, and family are not going to come true. Everyone who thought you were foolish for stepping out on your own will be proven right.

It wasn't supposed to turn out that way. In magazines and newspapers, in blockbuster movies, and on countless blogs, we hear the mantra of the successful entrepreneurs: through determination, brilliance, great timing, and—above all—a great product, you too can achieve fame and fortune.

There is a mythmaking industry hard at work to sell us that story, but I have come to believe that the story is false, the product of selection bias and after-the-fact rationalization. In fact, having worked with hundreds of entrepreneurs, I have seen firsthand how often a promising start leads to failure. The grim reality is that most startups fail. Most new products are not successful. Most new ventures do not live up to their potential.

Yet the story of perseverance, creative genius, and hard work persists. Why is it so popular? I think there is something deeply appealing about this modern-day rags-to-riches story. It makes success seem inevitable if you just have the right stuff. It means that the mundane details, the boring stuff, the small individual choices don't matter. If we build it, they will come. When we fail, as so many of us do, we have a ready-made excuse: we didn't have the right stuff. We weren't visionary enough or weren't in the right place at the right time.

After more than ten years as an entrepreneur, I came to reject that line of thinking. I have learned from both my own successes and failures and those of many others that it's the boring stuff that matters the most. Startup success is not a consequence of good genes or being in the right place at the right time. Startup success can be engineered by following the right process, which means it

can be learned, which means it can be taught.

Entrepreneurship is a kind of management. No, you didn't read that wrong. We have wildly divergent associations with these two words, entrepreneurship and management. Lately, it seems that one is cool, innovative, and exciting and the other is dull, serious, and bland. It is time to look past these preconceptions.

Let me tell you a second startup story. It's 2004, and a group of founders have just started a new company. Their previous company had failed very publicly. Their credibility is at an all-time low. They have a huge vision: to change the way people communicate by using a new technology called avatars (remember, this was before James Cameron's blockbuster movie). They are following a visionary named Will Harvey, who paints a compelling picture: people connecting with their friends, hanging out online, using avatars to give them a combination of intimate connection and safe anonymity. Even better, instead of having to build all the clothing, furniture, and accessories these avatars would need to accessorize their digital lives, the customers would be enlisted to build those things and sell them to one another.

The engineering challenge before them is immense: creating virtual worlds, user-generated content, an online commerce engine, micropayments, and—last but not least—the three-dimensional avatar technology that can run on anyone's PC.

I'm in this second story, too. I'm a cofounder and chief technology officer of this company, which is called IMVU. At this point in our careers, my cofounders and I are determined to make new mistakes. We do everything wrong: instead of spending years perfecting our technology, we build a minimum viable product, an early product that is terrible, full of bugs and crash-your-computer-yes-really stability problems. Then we ship it to customers way before it's ready. And we charge money for it. After securing initial customers, we change the product constantly—much too fast by traditional standards—shipping new versions of our product dozens of times every single day.

We really did have customers in those early days—true visionary early adopters—and we often talked to them and asked for their

feedback. But we emphatically did not do what they said. We viewed their input as only one source of information about our product and overall vision. In fact, we were much more likely to run experiments on our customers than we were to cater to their whims.

Traditional business thinking says that this approach shouldn't work, but it does, and you don't have to take my word for it. As you'll see throughout this book, the approach we pioneered at IMVU has become the basis for a new movement of entrepreneurs around the world. It builds on many previous management and product development ideas, including lean manufacturing, design thinking, customer development, and agile development. It represents a new approach to creating continuous innovation. It's called the Lean Startup.

Despite the volumes written on business strategy, the key attributes of business leaders, and ways to identify the next big thing, innovators still struggle to bring their ideas to life. This was the frustration that led us to try a radical new approach at IMVU, one characterized by an extremely fast cycle time, a focus on what customers want (without asking them), and a scientific approach to making decisions.

ORIGINS OF THE LEAN STARTUP

I am one of those people who grew up programming computers, and so my journey to thinking about entrepreneurship and management has taken a circuitous path. I have always worked on the product development side of my industry; my partners and bosses were managers or marketers, and my peers worked in engineering and operations. Throughout my career, I kept having the experience of working incredibly hard on products that ultimately failed in the marketplace.

At first, largely because of my background, I viewed these as technical problems that required technical solutions: better architecture, a better engineering process, better discipline, focus, or