



LEAN STARTUP PRINCIPLES

# Module 1 Workshop



2 HRS

# WORKSHOP LOGISTICS

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## **Suggested Agenda**

In this second workshop, you'll complete 6 activities with your team. The workshop should take approximately 2 hours.

- + Introductions and Course Logistics (15 min)
- + Develop Your Value Proposition Canvas (40 min)
- + Define Your Business and Impact Assumptions (20 min)
- + Prioritize Your Assumptions (20 min)
- + Formulate Your Hypotheses (20 min)
- + Final Reflections (5 min)

## **Supplies**

- + copies of the worksheets on pages 6–12, 14, 17–19, and 21
- + pens or pencils

## **Before You Begin**

- + Appoint one of your team members to be the timekeeper for this discussion meeting.

# 1. INTRODUCTIONS AND COURSE LOGISTICS

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## 1. Introductions & Course Logistics (15 min)

### **Brief Introductions**

Take a moment to make introductions (i.e. who you are, what you do, and what you wish to take away from this course, and what challenges in your current work you hope to apply these lessons to). If you have any prior knowledge or experience with human resources and talent management, please briefly share.

### **Team Norms & Commitment**

We recommend that your team take a moment to set a few rules or norms for how you would like the team to operate during the course. Think about how you want to structure your team meeting to ensure that there is an environment of mutual trust and respect.

### **Scheduling**

This is a 4-module course, and in order to fully benefit from being part of a team, we strongly encourage everyone on the team to be fully present for all of the team workshops. Review the course calendar and coordinate with your team to plan ahead for when to host your remaining team meetings for this course. You are far more likely to complete the course successfully if you schedule all of your team meetings from the beginning.

## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

### 2. Develop Your Value Proposition Canvas (40 min)

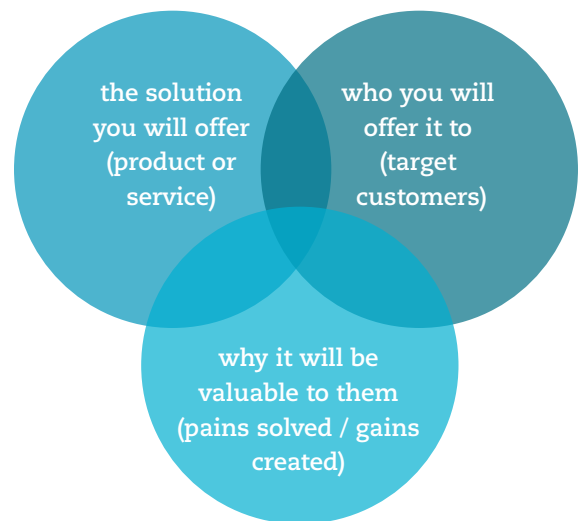
What are you building? Who is it for? Why will they want it? Developing hypotheses to answer these questions is key to formulating your **value proposition**. This is also the perfect way to start implementing a Lean approach. You need to figure out how your product or service will distinctively solve problems that your customers have or add value to their lives. This value proposition will form the backbone of your business and impact model. Getting it right and learning how to test it is essential.

In this course, we won't build out your entire business model, but we will help you articulate and test your value proposition. You'll do this using a tool called the **value proposition canvas**, which was developed by Alex Osterwalder of Strategyzer. For this first assignment, you'll complete this canvas and then use the rest of the assignments in this course to systematically test the hypotheses that you draft today. You'll eventually be getting out of the building, talking to real customers, designing experiments, and practicing key components the Lean Startup methodology. Putting your ideas on paper is the first step in this process.

Please note: For some of these exercises, it is helpful if you have formulated a theory of change (ToC). We won't walk you through developing a ToC in this course, but we encourage you to check out our +Acumen course on [Social Impact Analysis](#) if you want to learn how to do so.

A value proposition offers hypotheses about what solution you will offer (your product/service), to who (target customer) and why it will be valuable to them (pains it will solve, gains it will create).

**3 pieces come together to form a value proposition:**





## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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Your goal is to figure out if you have something valuable to your customers that can create profit and impact. You'll do this by following these 5 steps to develop hypotheses about your value proposition:

1. Watch an [overview video](#) of the value proposition canvas presented by Alex Osterwalder from Strategyzer Academy.
2. Complete the value proposition canvas using the worksheets on the following pages to guide you.
3. Identify the assumptions that need to hold true in order for you to create business and impact value.
4. Figure out which assumptions are most critical to your value proposition.
5. Turn your assumptions into measurable hypotheses.



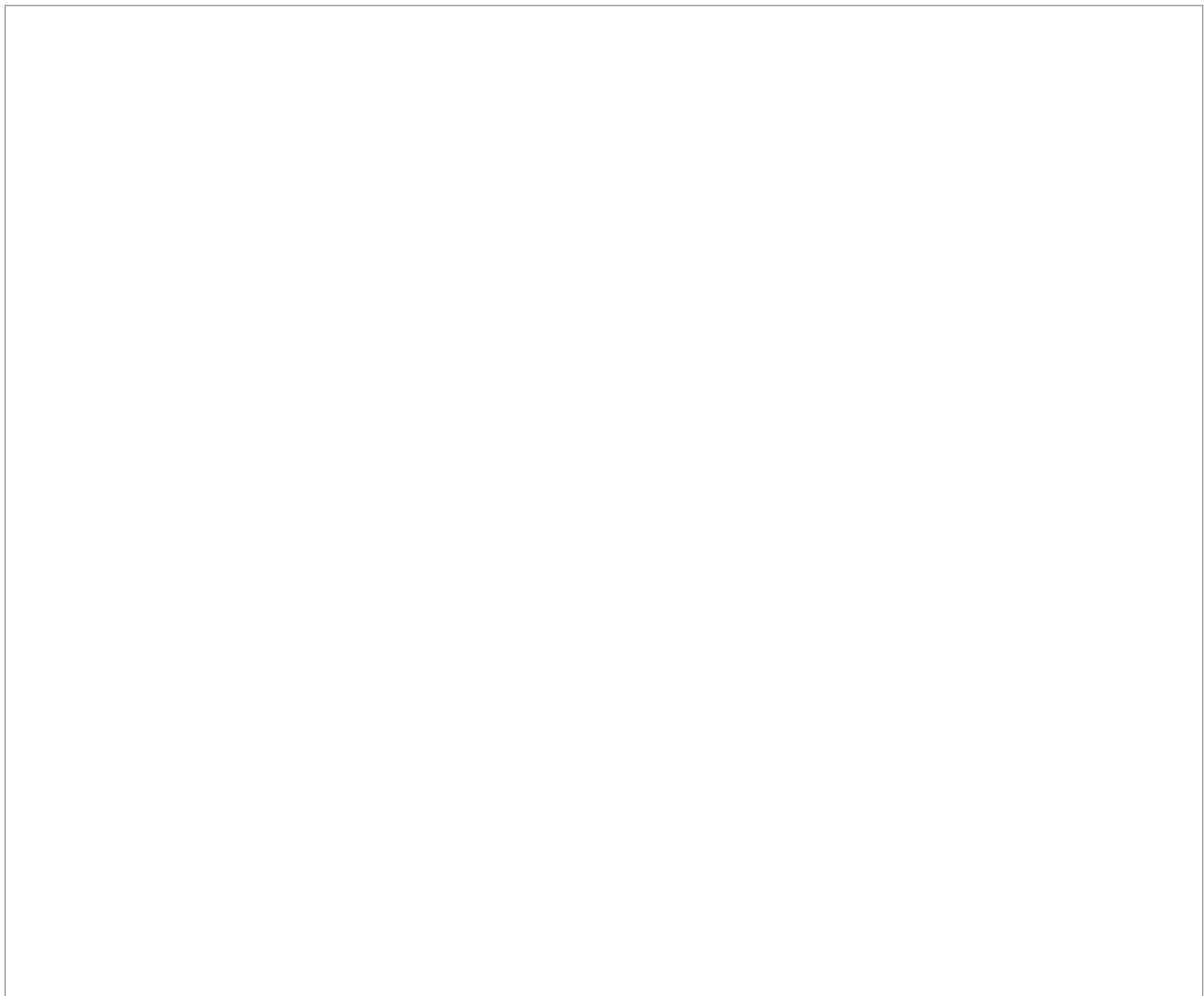
## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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### Who is your customer?

We think it's important to put people at the heart of your business & create products and services to meet their needs. Therefore, the first step will be for you to describe your target customer. Take a few minutes and imagine one specific person you want

to serve. How old is this person? Where does he or she live? What is his/her level of education and household income? Jot down your best guesses about who you think your initiative can serve or needs to serve. For now, this should be just one person.

A large, empty rectangular box with a thin black border, intended for the user to write their response to the prompt 'Who is your customer?'. It occupies the lower half of the page.

## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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### **What jobs does your customer need to complete?**

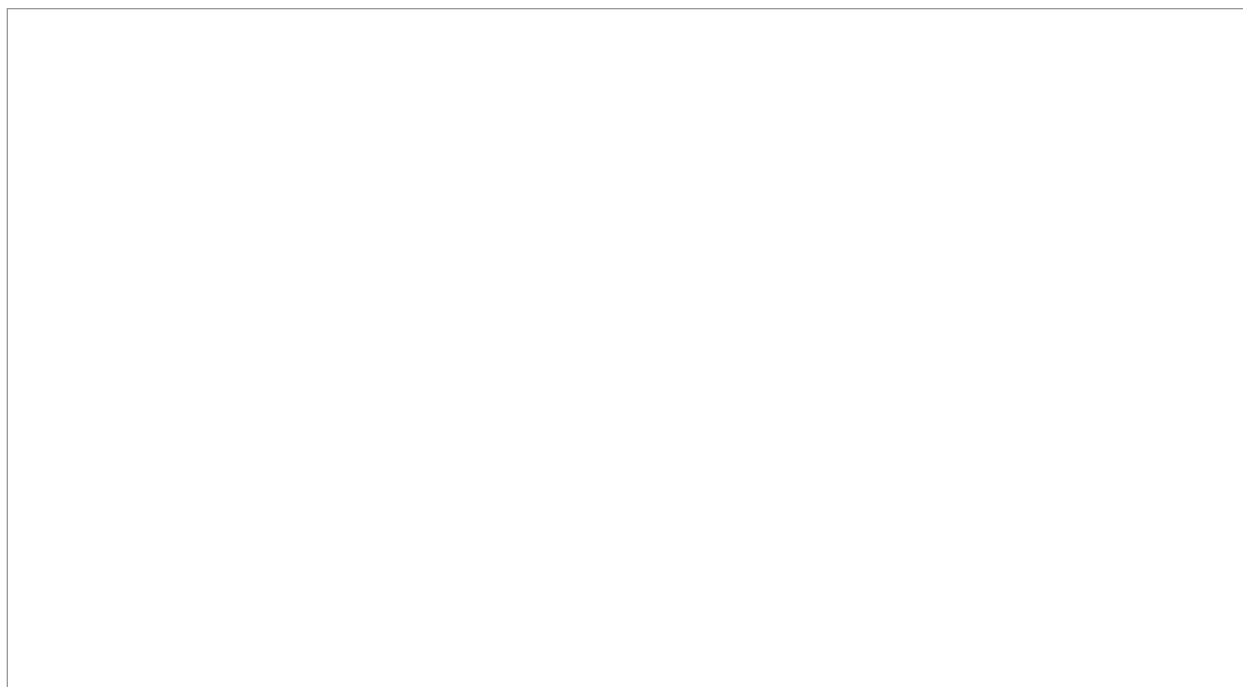
“Jobs” describe an important social issue your customers are trying to solve in their work or their lives such as:

- + Tasks they are trying to complete
- + Needs they are trying to satisfy
- + Problems they are trying to solve

Jobs can have an emotional, functional or social purpose. In the social sector, these jobs will usually be critical rather than trivial. Jot down some of the “jobs” your target customer might need to accomplish below.

### *Example “jobs” in the social sector*

- + Pregnant women in India need to get to the hospital quickly and safely to deliver babies
- + Kenyan patients need to be screened for life-threatening health conditions
- + Families in the developing world need to work, study, and operate productively after dark



## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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### What “pains” does your customer have?

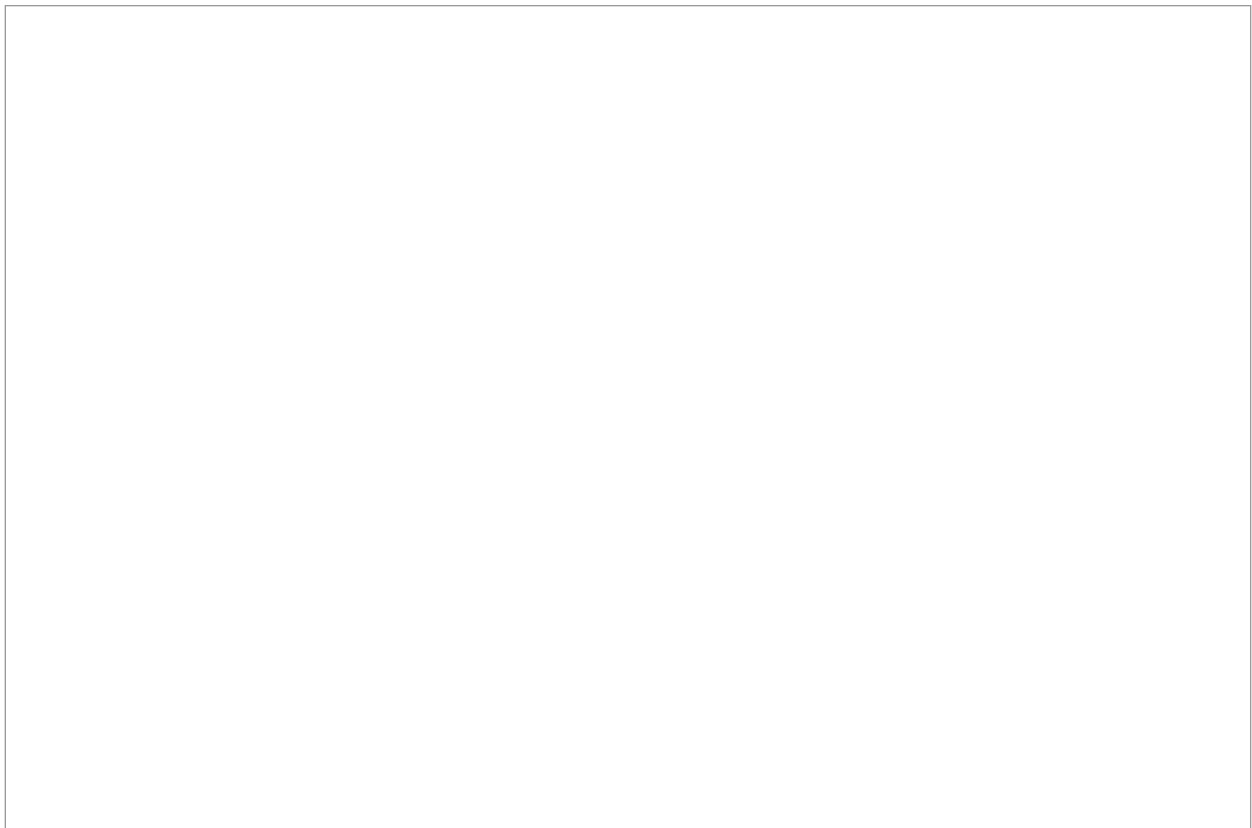
Pains describe negative aspects people hate and would like to avoid such as

- + Undesired costs and situations
- + Negative emotions
- + Risks

In the social sector, pains tend to be severe rather than mere annoyances.

### *Example pains in the social sector*

- + Pregnant women in India need to avoid delivering at home in unhygienic conditions or getting stuck in traffic in the back of a rickshaw when they are going into labor
- + Families need to avoid using kerosene lanterns that pose fire-hazards and lead to inhalation of unhealthy smoke





## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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### What gains would your customer desire?

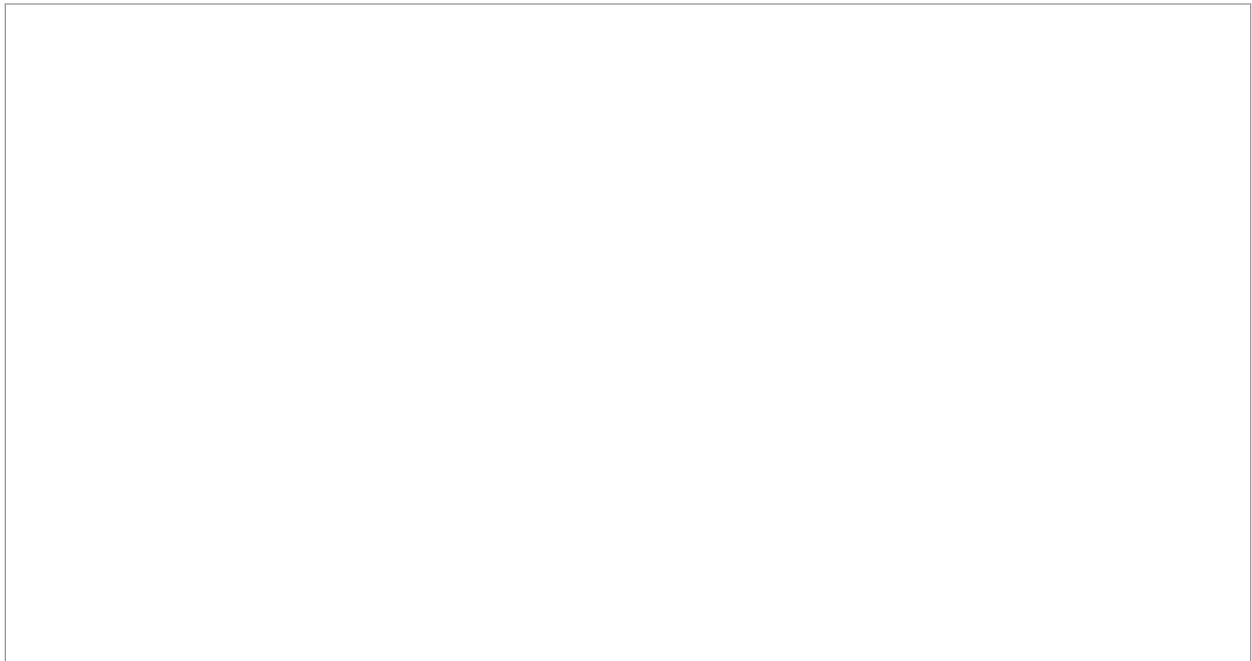
Gains describe the outcomes or benefits that customers require, expect, desire or would be surprised by. These include:

- + Functional utility
- + Social gains
- + Positive feelings
- + Cost savings

For most social enterprises, the primary gain will be “functional” but it should also have some element of “emotional appeal” and a “surprise/delight” factor.

### Examples in the social sector

- + Families need a durable source of light that would prevent them from inhaling unhealthy kerosene fumes
- + Housewives in Kenya need a reliable cookstove that can use less charcoal and enable them to save significant amounts of money on fuel
- + Smallholder farmers need an accessible mobile app that will enable them to view forecasts and plan for their harvests accordingly



## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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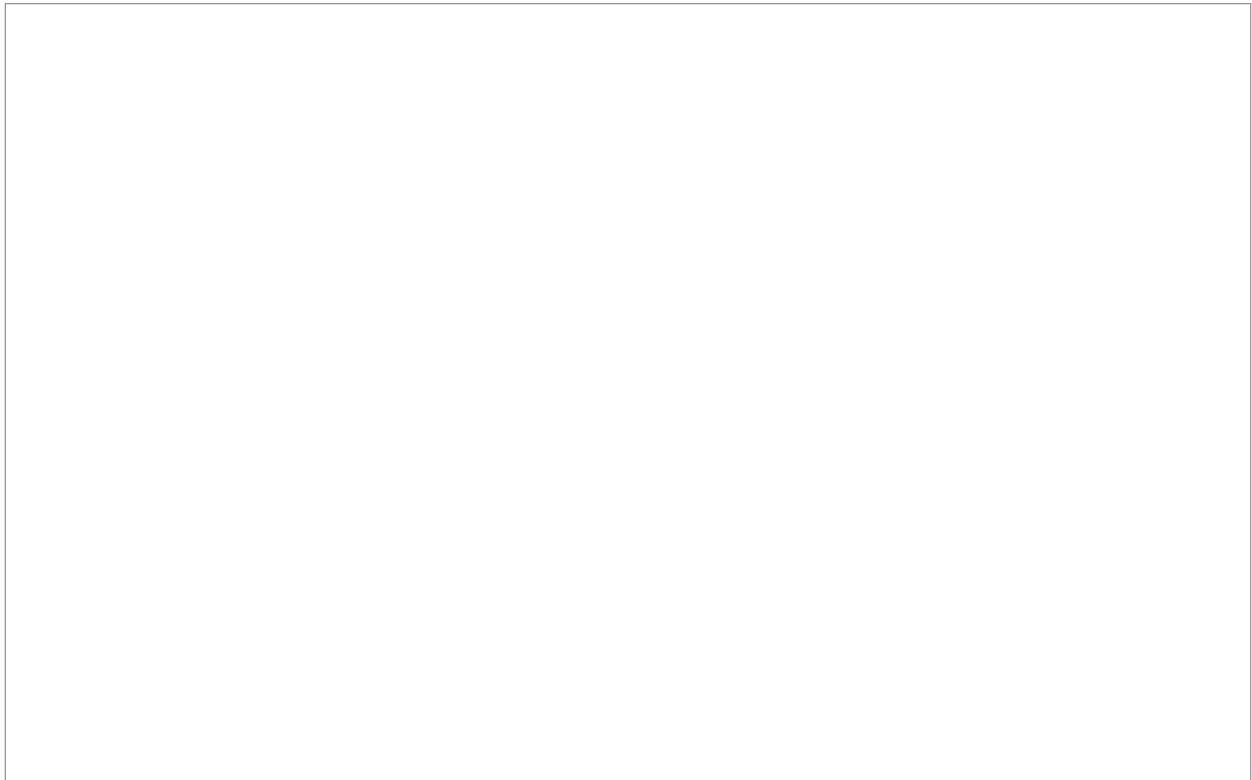
Once you've thought about your customer, it's time to think about how to build a product or service to help them do their most important jobs, solve their pains, create new gains, or do a little bit of all three.

### **What product or service do you plan to offer?**

Describe the bundle of products or services you are offering to help customers get a job done.

### *Examples in the social sector*

- + You will offer reliable ambulance services that can transport pregnant women to the hospital to give birth.
- + You will offer a clean-burning cookstove that will allow Kenyan housewives to cook meals for their families.
- + You will offer sanitation services for slums that provide clean toilets and waste disposal.



## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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### **What pain relievers will your product/service offer?**

Describe how your product or service will alleviate specific pains before, while or after a customer is trying to get a job done such as how it will:

1. alleviate undesired costs or situations
2. dispel negative emotions
3. mitigate risks

### *Examples in the social sector*

- + You will offer an ambulance with a hygienic and comfortable bed where patients can ride
- + You will provide a lantern with solar panels that does not rely on burning kerosene to generate light



## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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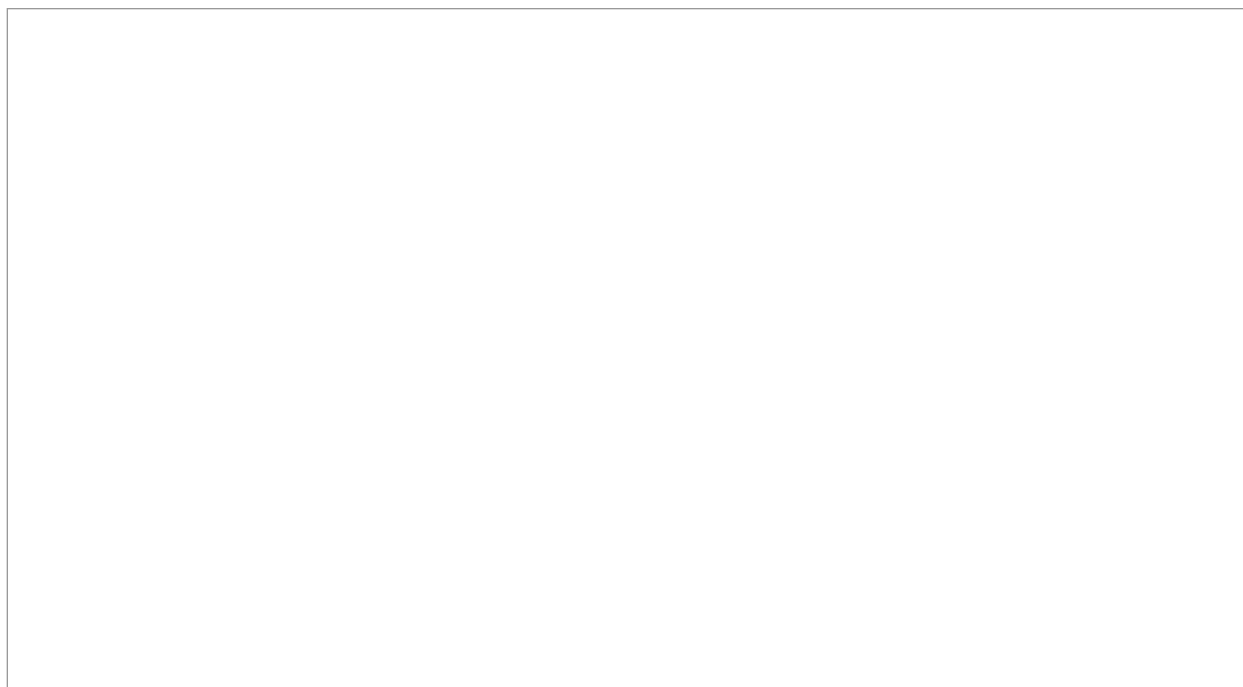
### **What gains will your product/service create?**

Describe specifically how your product or service will create benefits or positive outcomes for your customer, such as offering

1. functional utility
2. social gains
3. positive feelings
4. cost savings

### *Examples in the social sector*

- + Ambulances will enable women to give birth in hospitals, allowing them to feel modern.
- + Cookstoves will be well-designed and beautiful objects in otherwise simple homes giving women a sense of pride.
- + Sanitation services will give families a sense of well-being and cleanliness.
- + Solar lanterns will allow families to be productive for several hours more per day.



# TIPS FOR THINKING ABOUT PAINS AND GAINS

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In the social sector, “pains” are typically more than just inconveniences or annoyances. The products or services you build are typically trying to address pains that:

- + Diminish quality of life
- + Compromise necessities of life
- + Threaten life itself

(credit: Paul Brest. “Big Cube, Small Cube” framework)

When you think about gains, these should mostly be functional things that your product or service will help a customer achieve. However, “gains” should also have some element of surprise and delight for your customers to attract them to keep using your product or service. Don’t underestimate the value of emotional appeal of a product or service to drive people to actually purchase and adopt it.

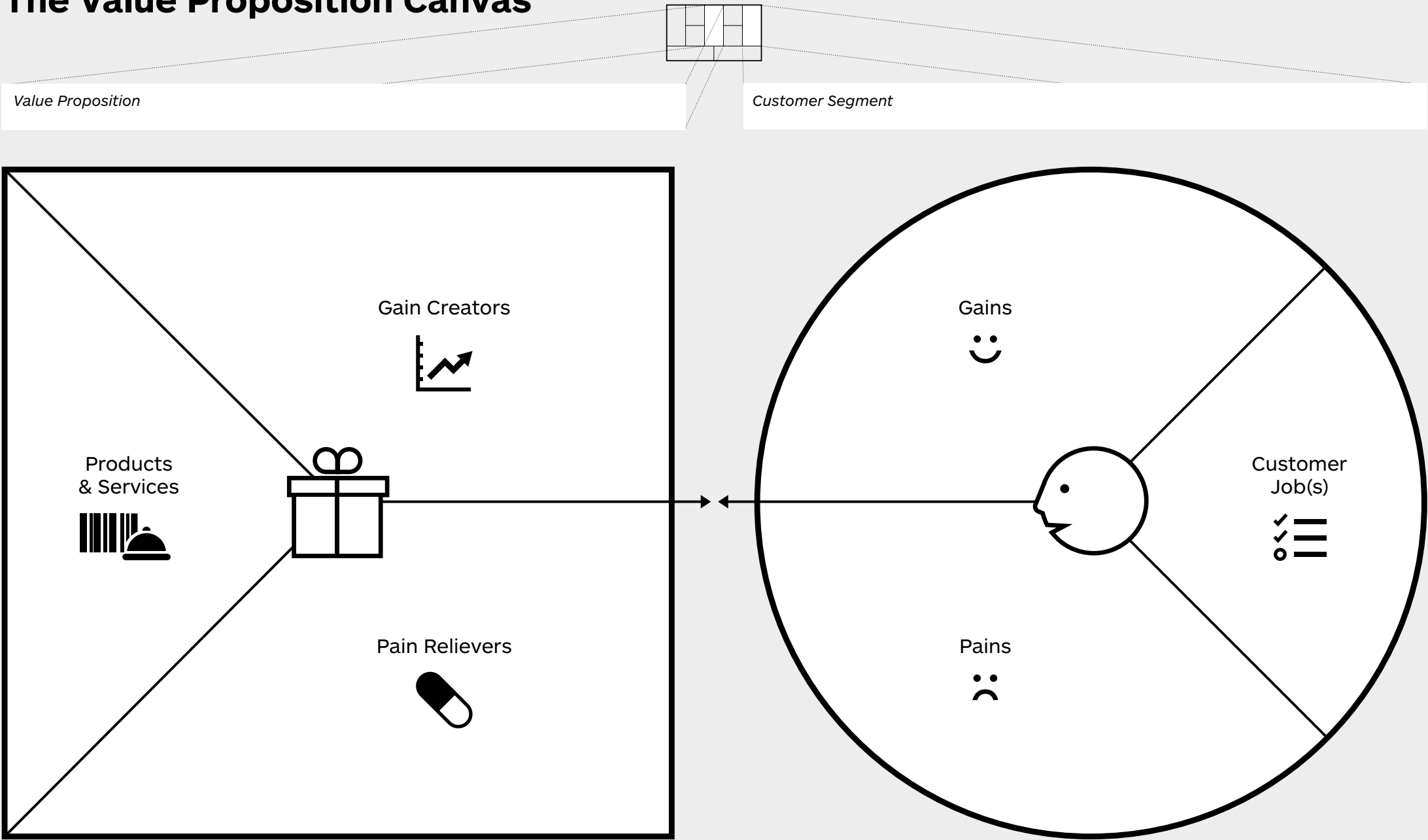




# 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

Congrats! You have now put down on paper the key elements of your value proposition. Assemble all of your key ideas on the canvas to the right.

## The Value Proposition Canvas

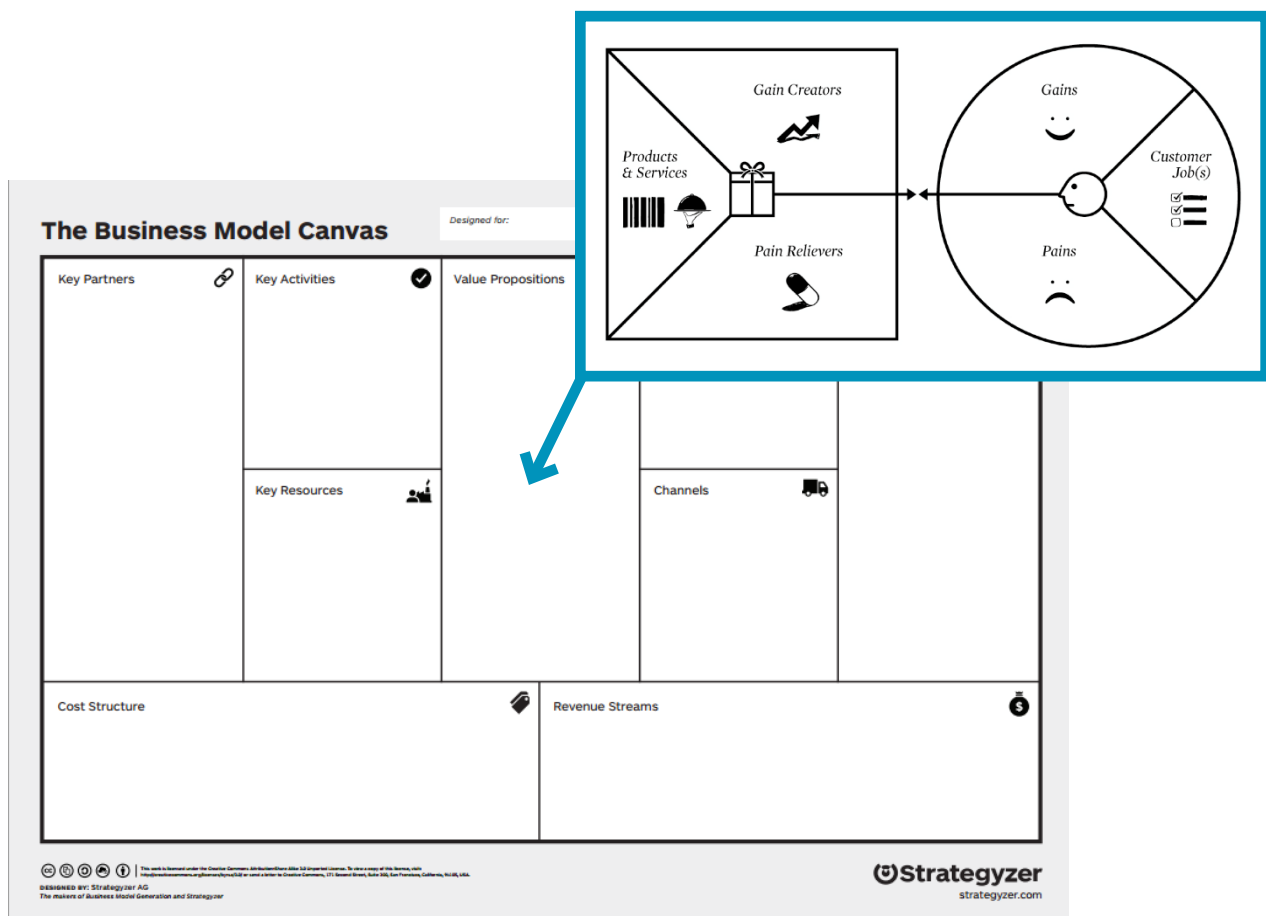


# HOW DOES THIS FIT INTO A BUSINESS MODEL?

The value proposition forms the core of your business & impact model, offering a hypothesis of what you will offer (product/service), to who (customer) and why it will be valuable (pains it will solve, gains it will create).

**Problem-solution fit** occurs when your value proposition perfectly matches the needs & problems of your customer segment. This is the core of your impact model.

When your market validates this match and your value proposition gets traction with real customers, you have achieved **product-market fit** (i.e. people are willing to pay). This is the core of your business model.



## 2. DEVELOP YOUR VALUE PROPOSITION CANVAS

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### What do we mean by problem-solution fit?

You have found an idea for a product or service that perfectly solves a social problem for your customer segment. So, for example, Burn Manufacturing, one of Acumen's newest investee companies, started with this problem:

- + **Problem/Need:** Kenyan housewives (customer segment) need to cook meals for their family.
- + **Pain:** Traditional cook stoves create unhealthy smoke that they want to avoid.
- + **Gain:** Housewives can save more money if they are able to buy less charcoal

Burn developed this solution:

- + **Solution:** The jikokoa is a cookstove that uses 45% less fuel than traditional cookstoves and produces 64% less smoke. [Learn more](#).

However, to be financially sustainable an enterprise needs to achieve not only problem-solution fit, but also product-market fit. You have achieved product-market fit when lots of people are willing to pay for your product. This forms the revenue engine and the core of your business model.

If you achieve problem-solution fit at scale, you create impact. If you achieve product-market fit at scale, you create profit.

In the case of Burn Manufacturing, they not only have to create a cookstove that solves the problem of expensive fuel consumption and smoke inhalation, but also ensure that the product will be purchased and adopted by customers. When a critical mass of people are willing to buy their cookstove, the market will have validated their approach and they will have achieved both problem-solution fit and product-market fit.

**Traditional enterprises** want to scale to increase profits, whereas **social enterprises** want to scale to increase impact, with financial sustainability as a necessary constraint.

Enterprises that will achieve problem-solution fit, but never achieve product-market fit are great candidates for grant funding and non-profit structures.

Enterprises that can eventually achieve product-market fit AND problem-solution fit, are on track to achieve both impact & financial sustainability. This is the sweet spot for social enterprises. They should seek investment capital and have a for-profit structure.

## 3. DEFINE YOUR BUSINESS AND IMPACT ASSUMPTIONS

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### 3. Define Your Business and Impact Assumptions (20 min)

Now, we want you to look back at your value proposition canvas and start to pull out your key assumptions. We recommend that you start by trying to complete these prompts suggested by Giff Constable in his book about understanding customers called [Talking to Humans](#). We have also added some prompts that are relevant to social impact.

**My target customer will be...**

**The problem my customer wants to solve is...**

**My customer's needs can be solved with...**

**My customer can't solve this today because...**

**The measurable change my customer wants to achieve is...**

**My primary customer acquisition tactic will be...**

**My earliest adopter will be...**

### 3. DEFINE YOUR BUSINESS AND IMPACT ASSUMPTIONS

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I will make money by...

My biggest risk to achieving impact is...

My primary competition will be...

What assumptions do we have that,  
if proven wrong, would cause this  
business to fail?

I will beat my competitors by...

My biggest risk to financial viability is...



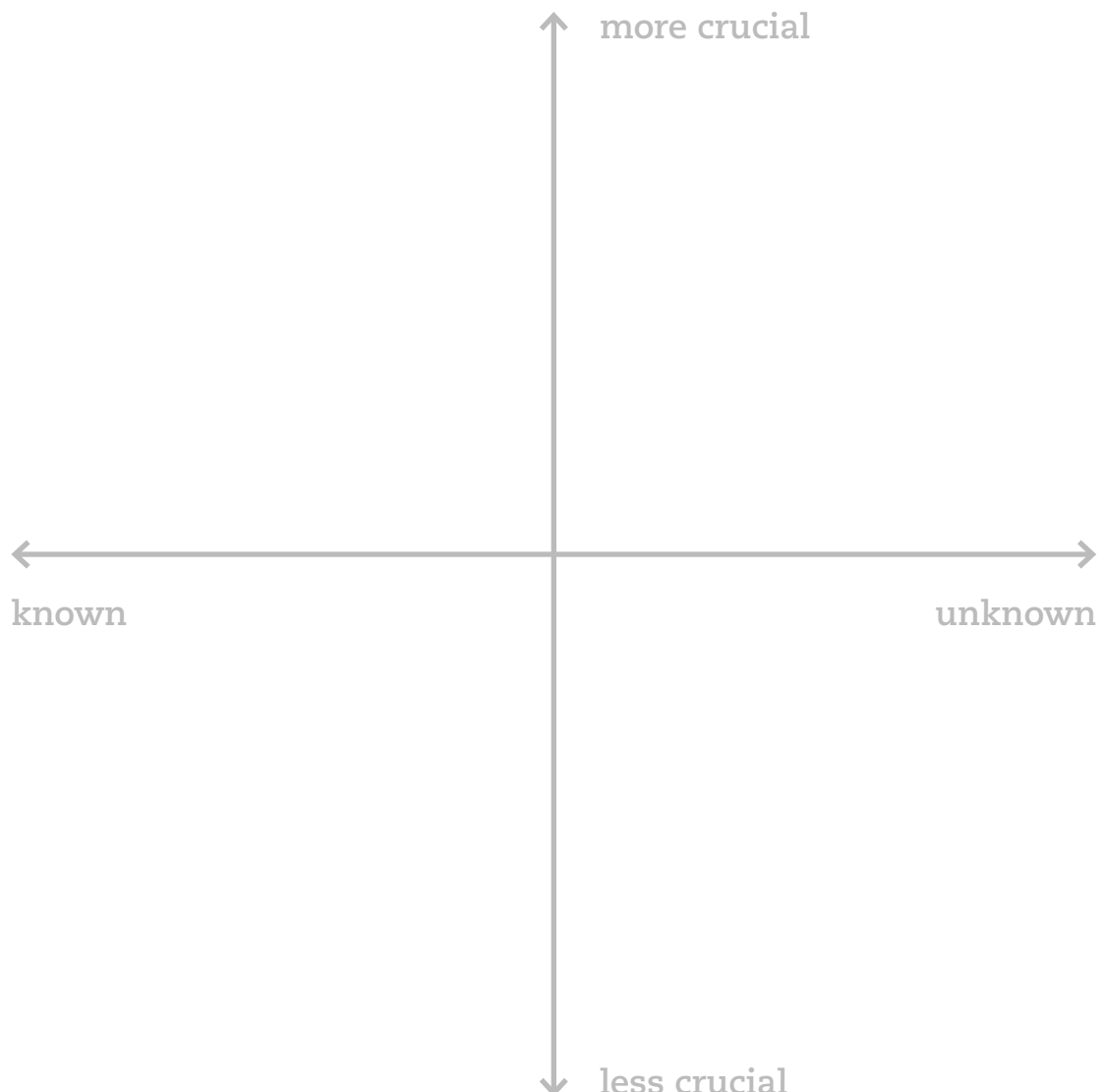
## 4. PRIORITIZE YOUR ASSUMPTIONS

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### 4. Prioritize Your Assumptions (20 min)

Now we need to prioritize the assumptions you need to test. To do this, we'll draw from the very helpful "[Mini Guide to Experiments](#)" developed by and freely available from Moves The Needle.

Take your assumptions and fill them in on this 2x2 grid, placing the most essential assumptions and the ones you know the least about in the upper right corner.



## 5. FORMULATE YOUR HYPOTHESES

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### 5. Formulate Your Hypotheses (20 min)

Look at the assumptions you placed in the top right corner of the grid. These should be your highest priority to test because you have limited information about them, but they are critical to making your business and impact model work. It's time to reframe them as hypotheses that you can test and measure. Hypotheses should be specific "if/then" statements.

Follow this template to create a hypothesis:

**IF** we provide \_\_\_\_\_  
(solution details),  
**THEN** \_\_\_\_\_% or  
\_\_\_\_\_ (#) of our  
target customers **WILL**  
\_\_\_\_\_ (what specific  
behavior will take place  
in response)\_\_\_\_\_.

Here are some examples:

- + **If** we provide a torchlight version of our solar lantern **then** 100 more farmers **will** purchase one.
- + **If** we offer a cash reward of \$500 for completing our surveys **then** 100 more of our customers **will** complete our questionnaire about reproductive health.
- + **If** we provide in-person mobile phone literacy training across 2 villages **then** 25% more smallholder farmers in those villages **will** download and use our app.

Now it's your turn. On the following pages, draft at least 4 key hypotheses you could get started testing. You'll start to conduct customer discovery about these hypotheses in Module 2 and design experiments to test these hypotheses in Module 3.

## 5. FORMULATE YOUR HYPOTHESES

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### Hypothesis 1

If we \_\_\_\_\_  
Then \_\_\_\_\_ of our customers  
Will \_\_\_\_\_

### Hypothesis 2

If we \_\_\_\_\_  
Then \_\_\_\_\_ of our customers  
Will \_\_\_\_\_

### Hypothesis 3

If we \_\_\_\_\_  
Then \_\_\_\_\_ of our customers  
Will \_\_\_\_\_

### Hypothesis 4

If we \_\_\_\_\_  
Then \_\_\_\_\_ of our customers  
Will \_\_\_\_\_

## 6. FINAL REFLECTIONS

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### 6. Final Reflections (5 min)

- + Share any final insights and reflections from this module with your team members.
- + Make sure you have uploaded your assignment in order to receive credit for this module.
- + Check back to review a peer's assignment.
- + Confirm the schedule for the next session, and make sure everyone has time to go through the next module prior to your next meeting.