



LM THAPAR School of  
Management  
*new India starts here*

# **Lean Startup**

What Entrepreneurs Get Wrong

B-plan rarely survive first contact with customers



# 5 categories of objections, faced by entrepreneurs

- **Efficacy:** Skeptical about the ability of new products to deliver on their value propositions
- **Credibility:** doubts on the founder's age, gender, personal background, or experience level
- **Size:** Turnover of the company
- **Price:** stemmed from prospects' incomplete, biased, or subjective cost/benefit analyses
- **Switching costs:** Prospects might need to modify their routines, procedures, systems, or internal or external relationships

**Source:** Onyemah, V., Pesquera, M. R., & Ali, A. (2013). What entrepreneurs get wrong. *Harvard Business Review*, 91(5), 74-79.

# Result

75 % of the startups failed

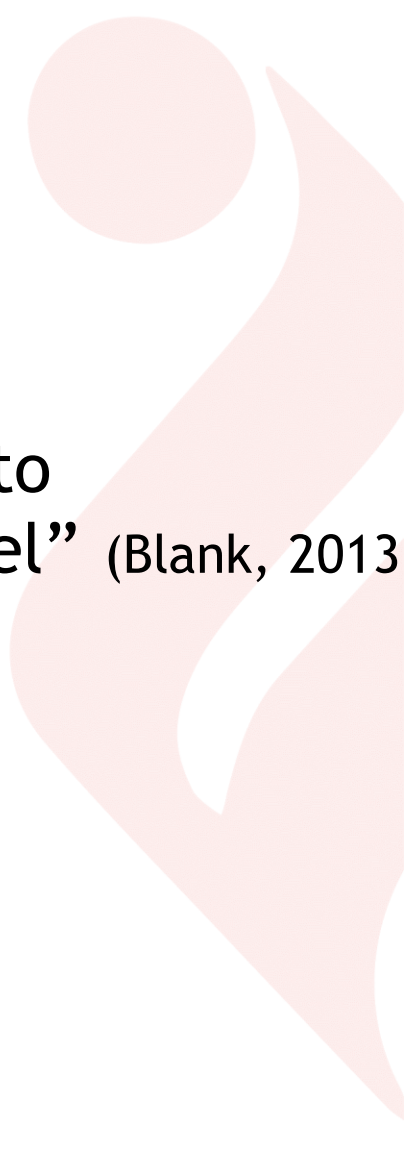
-HBS Shikhar Ghosh

**Source:** Blank, S. (2013). Why the lean start-up changes everything. *Harvard Business Review*, 91(5), 63-72.

A new methodology for launching  
companies, called  
“lean start-up”,  
has begun to replace the old regimen



“A temporary organization designed to search for a repeatable & scalable business model” (Blank, 2013)



# What's the Model?:

Fail cheap, fail fast & learn from it  
To avoid costly failures later on  
Be firm about problem, but flexible about solution

# What's the Model?:

- Idea generation and refinement
- Test the idea
  - Improve it
  - Or drop it
- Finalize the idea
- Product Execution
  - Prototype
  - Minimum Viable product

**Source:** Onyemah, V., Pesquera, M. R., & Ali, A. (2013). What entrepreneurs get wrong. *Harvard Business Review*, 91(5), 74-79.

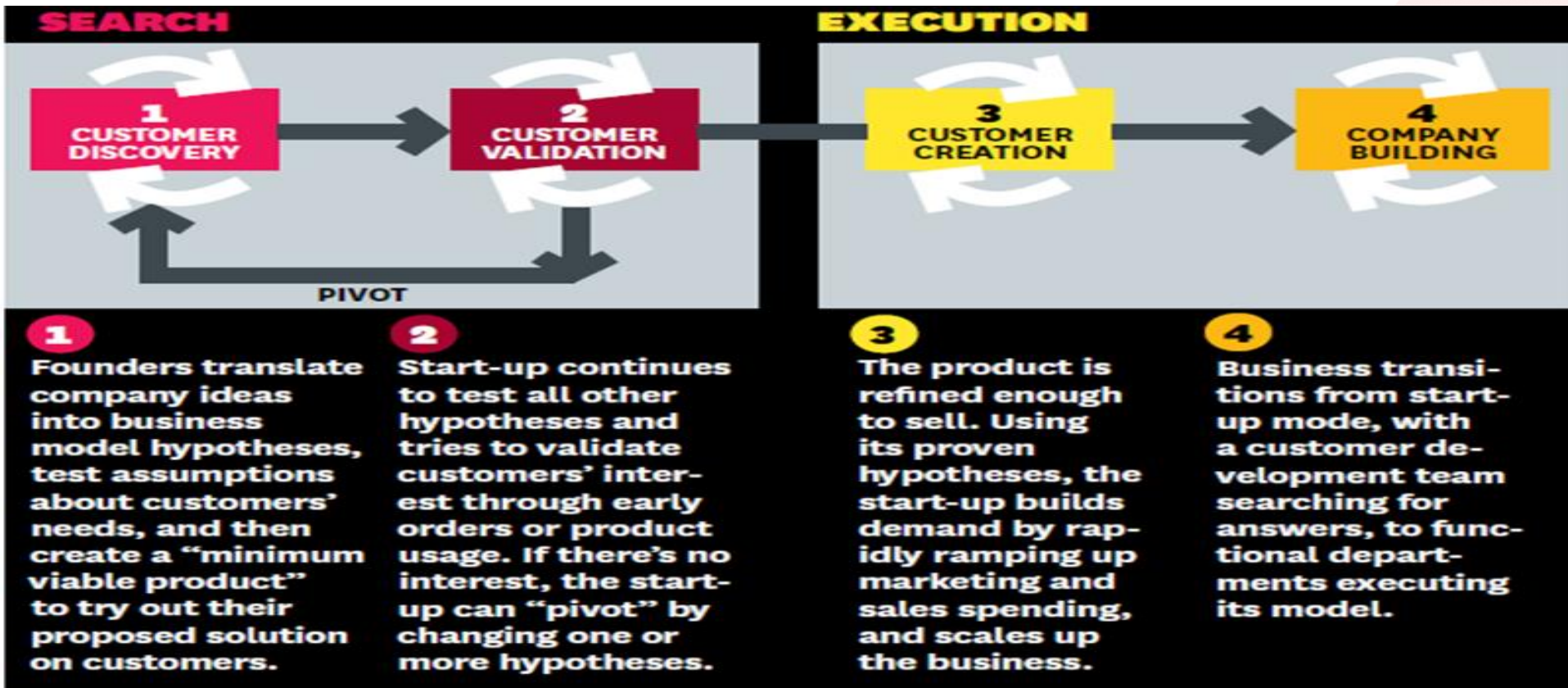


# Key principles of lean method

# Get out of the building Approach i.e. customer development

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- Customer feedback (users, purchasers and partners) on all elements of:
- Business models (features, pricing, distribution channel, and customer acquisition platforms).
- Iterations (small adjustments) or Substantive (Pivots) to failed ideas.



- Since customer feedback is more important than secrecy as it yields better results, the start up should avoid the stealth mode of operation after they have taken few baby steps



# Avoid doing everything by themselves

- Getting advice is not an insult to one's knowledge.
- Ideas don't get copied as much as one thinks



# Comparison between lean and traditional start-ups

## Strategy

Business Model  
Hypothesis-driven

Business Plan  
Implementation-driven

## New-Product Process

Customer Development  
Get out of the office and test hypotheses

Product Management  
Prepare offering for market following a  
linear, step-by-step plan

## Engineering

Agile Development  
Build the product iteratively and  
incrementally

Agile or Waterfall Development  
Build the product iteratively, or fully  
specify the product before building it

## Organization

Customer and Agile Development Teams  
Hire for learning, nimbleness, and speed

Departments by Function  
Hire for experience and ability to execute

## Financial Reporting

Metrics That Matter  
Customer acquisition cost, lifetime  
customer value, churn, viralness

Accounting  
Income statement, balance sheet, cash  
flow statement

## Failure

Expected  
Fix by iterating on ideas and pivoting away  
from ones that don't work

Exception  
Fix by firing executives

## Speed

Rapid  
Operates on good-enough data

Measured  
Operates on complete data