



Lean Startup

What Entrepreneurs Get Wrong

Fallacy of the perfect Business Plan

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.

As a result

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



Lean startup

“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?:

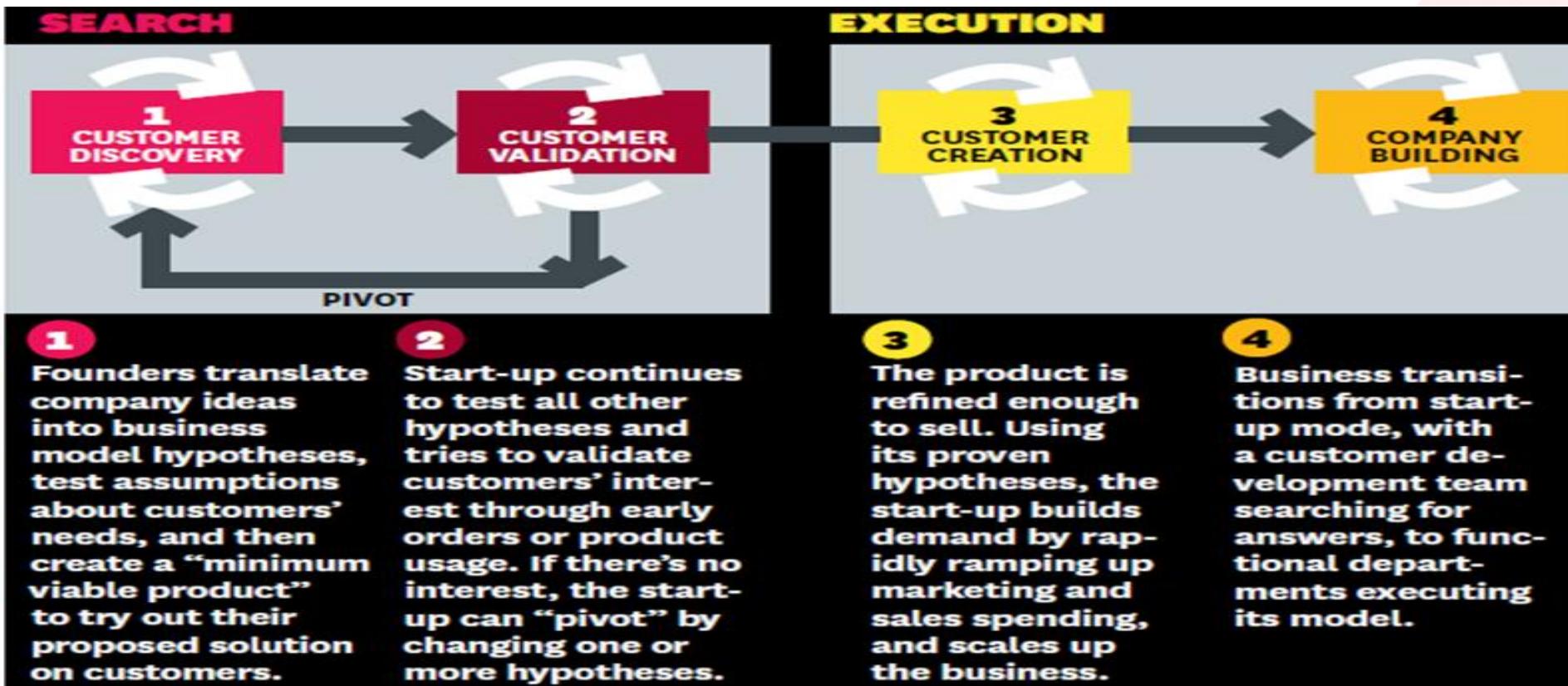
- Idea generation and refinement
- Test the idea
 - Improve it
 - Or drop it
- Finalize the idea
- Product Execution
 - Prototype
 - Minimum Viable product

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

- 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.



Avoiding Stealth Mode¹¹

- 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