LEAN STARTUP PRINCIPLES

1. Entrepreneurs are everywhere
2. Entrepreneurship is management
3. Validated Learning
4. Innovation Accounting
5. Build – Measure - Learn

1. ENTREPRENEURS ARE EVERYWHERE

- **Startup** – human institution designed to deliver a new product or service under conditions of extreme uncertainty
    - Can we build this?
    - If we build this, will they come?
    - If they come, can we realize value?
- Nothing to do with size of company, sector of the economy, or industry
- 'Startup success can be engineered by following the process, which means it can be learned, which means it can be taught' – Eric Ries

2. ENTREPRENEURSHIP IS MANAGEMENT

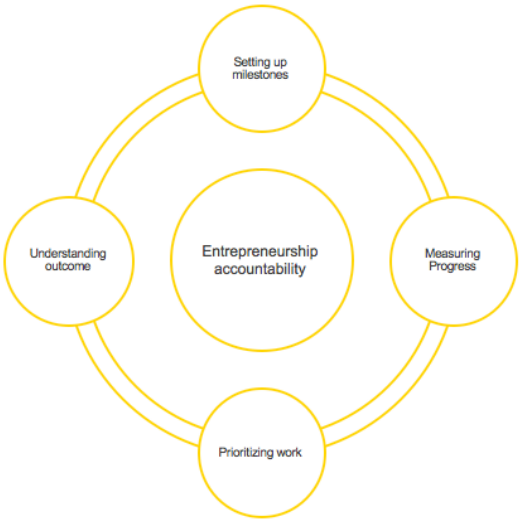
- Goal is to create an (sustainable) institution, not just a product
- Need practices and principles geared to the startup context of extreme uncertainty

3. VALIDATED LEARNING

- Startups exist to learn how to build sustainable businesses, and this learning can be tested through experimentation
- If we're building something nobody wants, why would it matter even if we accomplish it:
    - On time?
    - On budget?
    - With high quality?
    - With good design?
- Achieving Failure = successfully executing a bad plan

- ‘Customer is the most important part of the production line’ – Edward Deming

4. *INNOVATION ACCOUNTING*



- Establish the baseline
  - Build a Minimum Viable Product (MVP)
  - Measure how customers behave right now
- Tune the engine
  - Experiment to see if we can improve metrics from the baseline towards the ideal
- Pivot or persevere
  - When experiments reach diminishing returns, it’s time to pivot.

5. *BUILD – MEASURE – LEARN FEEDBACK LOOP*

- Framework to establish and continuously improve the effectiveness of products, services and ideas quickly and cost-efficiently
- Improves on ‘just do it’ approach with an incremental, iterative methodology that replaces assumption with knowledge and certainty
- Not appropriate for projects that requires low failure
- Best suited to fast-changing and risky environments where it is difficult to conduct research and customer needs are unclear
- *Build* – goal to build and develop a MVP i.e. prototype to test assumptions
- *Measure* – results from the b1`uild stage are measured
  - Is there sufficient interest in the idea? Is it possible to develop a sustainable business around the product or service?
- *Learn* – making decisions on what action to take next

Steps:

1. Plan your experiment and develop a hypothesis
2. Build a MVP and test it
3. Measure results against hypothesis to decide whether a sustainable business can be developed around the proposed product
4. Learn from results and decide whether to persevere or pivot