Lean Start-Up

What is Lean Start up?
Lean start-up

Why is this important?
For managing transformational and disruptive in large corporations

Sustaining Innovations
Transformational Innovations

Disruptive Innovations
Why is Lean Startup different in large enterprises?
Startups are searching for a business model – large enterprises already have one

Transformational innovations often requires a change in the Business Model
Startups **don’t have a process** – large enterprises already have a process for sustaining

Search of transformational innovations is not an expanded version of the traditional stage gate process
When the situation or phenomena is new – there is too little experience to provide reliable patterns.

Can’t Use Stage Gate to manage transformational innovation.
Startups begin with no organizational structure

Large organizations already have a large organization optimized for sustaining innovations
Lean Start-Up

Uses the **business model** as a converging tool for **brainstorming** for **transformational business hypothesis**
2. Early and abundant customer visits

3. VERY EARLY, fast low fidelity prototyping
4. Rapid Learning

Why focus on a business model?
The business model is often the difference between success and failure for the same product.

Many transformational and disruptive innovations fail not because of a fatal flaw in the solution, but because the company fails to understand key aspects of the business model that the innovation is embedded in.

- **Newton**: Enamored by technology, PC in your pocket. Not the functions needed by the mobile user.
- **Segway**: Transportation for EVERYONE, not for SOMEONE. Did not determine which users have a problem.
- **Beta**: Superior quality. Did not understand that the early adopters needed to record a 2 hr. football game.
Business plans are valuable in sustaining businesses – when you can execute on the plan.
Sustaining businesses execute a business model, transformational and disruptive innovations search for one

Some facts from start-ups
And the ones that succeed change their original plans 66% of the time

---------Quoted from Ash Maurya
90% of transformational innovation projects change their business models 4 times before they “get it right”

Quote from Mark Johnson, author of Seizing the White Space, HBR, 2010

Sustaining businesses execute a business model, transformational innovations to search for one
The true product of a transformational innovation effort is the business model NOT the solution.
Uses the business model as a converging tool for brainstorming transformational business hypothesis

Creates a SHARED Language
## Workshop Focus

### 1. Business Model
- Problem Formulated as a POV: What is the customer or consumer problem or "Job" you are solving? Problem is formulated from the perspective of the customer ("CVP") or consumer. Some examples include: "Jobs as done".
- Customer/Consumer Circumstances: How can you segment your customers?
- Solution Attributes: What deliverables do we need to deliver to the customer? Which of our customer problems are we solving? What are our rules?
- Solution: Can be deconstructed into four core elements: **Function**, **Value**, **Price**, and **Distribution**

### 2. Early Customer Visits
- How do you use the market to validate your hypotheses about the problem you are solving? How do you use the market to validate the solution you are delivering?
- How do you use the market to validate the value proposition you are delivering? What is the revenue stream? How do you make money?

### 3. Early Prototyping
- Key Resources: What are the key resources needed to deliver the CVP—people, technology, partners, funding?
- Key Processes: What are the unique processes required to achieve a competitive advantage?
- Key Channels: What are the key channels the company uses to reach its customers?

### 4. Rapid Learning
- What are the competitive alternatives to getting the job done and barriers to getting it done well?
- What is the price and how does the customer pay for the solution?

## Table: Profit Formula

<table>
<thead>
<tr>
<th>Revenue Streams and Adoption</th>
<th>Key Resources</th>
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<td>How does the company generate cash from each customer segment when considering payment? volume?</td>
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<td>Customer Value Proposition (CVP)</td>
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<th>Risks and Assumptions</th>
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<td>What are the three key risks and assumptions?</td>
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Problem Formulated as POV

What is the customer problem or “Job” you are solving

Start with the problem
How can we define the customer/consumers in terms of who they are and their circumstances in the form of personas.

Customer/Consumer Circumstance

Customer Centric

Problem Formulated as a POV

Customer/Consumer Circumstance

How can we define customer/consumer in terms of who they are and their circumstances in the form of personas.

Affluent, 35 to 45 year old, men and women, city dwellers with discerning tastes in coffee.
Solution Attributes
What attributes do we need to deliver to the customer? Which of our customer problems are we solving with these attributes?
Solution

What is the devised product and/or service that delivers on the key customer attributes?

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To learn more about other parts of FEI canvas

http://www.frontendinnovation.com/

Learning by Doing

"They don’t give us time to learn anything in school; we have to listen to the teacher all day."
Problem
Increasing the knowledge and awareness of “best practices” in innovation in your company