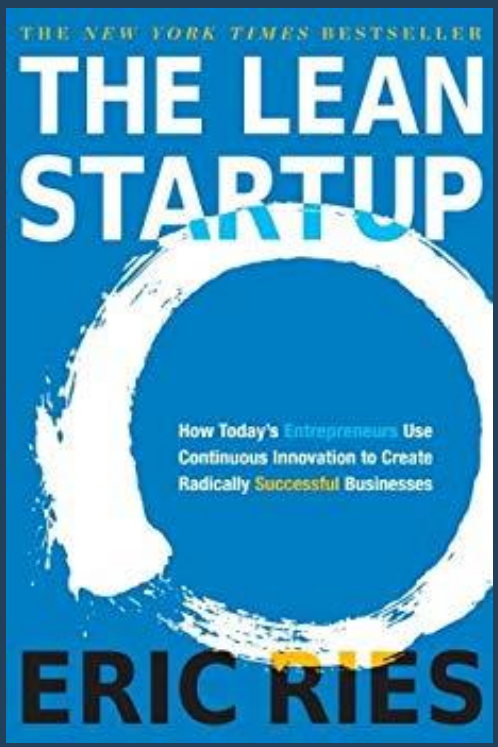

The Lean Startup

Year of publication: 2011
Author: Eric Ries
338 pages
Link for purchase: https://amzn.to/2X4zIDe

The book "The Lean Startup" (2011) from Eric Ries, describes a roadmap for all innovators, managers and business leaders seeking launch more successful products without wasting time, talent and resources.

The central idea of the book is the concept of Lean Startup, which develops on various ideas such as Lean Manufacturing, design thinking, customer development and agile development.

The book has been translated into 30 languages and has sold more than 1 million copies.

Score

8

8 Aplicability
8 Inspiration
9 Innovation
8 Impact on results
7 Structure

Main ideias of the book

- How to start, learn, define and try ideas for a Startup;
- How to use constant innovation to validate ideas;
- The importance of validated learning as a way of understanding the clients' needs;
- The need to create prototypes and develop the MVP before promoting an end product;
- The right time to pivot a project or continue its execution;
- The need to maintain real indicators in order to maintain a growth engine in the company.

For whom is this book suitable?

The book's content is relevant to anyone interested in entrepreneurship or who wish to start the own company.
It is applicable for people interested in rapid product development and testing.
Especially important for founders, managers and employees of technology companies.

Overview of the book

Principle 1 - Continuous Innovation

Innovation is not only a concern for startups. There are managers in large companies who have the mission to lead an initiative of a new product or service - they are called internal entrepreneurs.
In addition, the author defines startup as a human institution to create new products and services under conditions of extreme uncertainty.
It is important to emphasize that "institution" can refer to different types of organization: government agencies, venture capital companies, nonprofits or profit making companies.
The fact that the startup product or service is also an essential part of the definition. The organization is dedicated to revealing a new source of value to customers and cares about the impact of your product on those customers.
It is also important that the word "innovation" is widely understood. It can be original scientific discoveries, a new use for existing technology, creation of a new business model, among others.

The only way to win is to learn faster than anyone else

Principle 2 – Learning

Validated Learning

Validated learning is a rigorous method to demonstrate progress within this context of uncertainty in which startups grow.
The process consists of empirically representing that the team discovered valuable information about the company's current and potential customers. It is faster, more precise and more concrete than market forecasts or classic business plans.
Learning is the nucleus for the progress of these institutions. The effort that is not necessary to learn what customers want should be eliminated.
The road to progress is to see startup as a great experiment. The question should not be "Can we build this product?" But rather "Can we build a sustainable business involving this product?".
Your job is to find the commonalities between your vision and what consumers would accept.

Productivity

The true productivity of a startup is measured by the systematic search for the right things to do. In lean startup, every product, every feature and every advertising campaign is understood as an experiment to achieve validated learning.

Principle 3 – Experimentation

The experimentation phase begins with a clear hypothesis that makes predictions about what should happen. It should be guided by the company's vision.
The goal of each experiment is to figure out how to build a sustainable business around that vision. Even when they produce negative results, these failures can help and influence strategy.
In the lean startup model, an experiment is more than theoretical research. It is a first product.
The two most important assumptions entrepreneurs make are:

Value Hypothesis: Formulated to test whether the product or service actually provides value to customers at the time they are using it.
Growth Hypothesis: Made to test how new customers will discover a product or service. The most important thing to evaluate is behavior.

And the four questions that should be asked are:

1. Do consumers recognize that they have the problem we are trying to solve?
2. If there was a solution, would they buy it?
3. Would they buy from us?
4. Can we develop a solution to this problem?

Principle 4 - Minimum Viable Product

If you want to create a sustainable business, you need to know initially if there is demand for your product. The best way to achieve this is by the concept of MVP (Minimum Viable Product).
From this method, you get feedback from actual customers about your product idea. MVP should be as simple as possible and should contain only what is needed to deliver a realistic experience of how your idea works.
A good example of this use was made by the founders of Dropbox, cloud storage software. They knew that developing their idea to a complete product would take a lot of time, so they thought in an easy way: they made a video.
It was a simple video, just a presentation of the technology and a demonstration of how it would work. The video worked: One night, 75,000 people signed up for the Dropbox waiting list.
From this, they began to develop the final product. Nowadays, the company has value over 1 billion dollars.

> *We must learn what customers really want, not what they say they want or what we think they should want*

Principle 5 - Build-measure-learn

A startup's priority should be learning: you need to know what products to build and how to make money from them. And it does not come without contact with the real world.
To facilitate this, you can use the build-measure-learn loop.
First, you create a trial version of your product, such as a prototype, an MVP.
After that, you need to put that product in your market and gather feedback. By collecting quantitative data from this experiment, you can measure people's interest in your product.
When analyzing, it's important not to focus on numbers alone. You should talk to people. This makes it easier to understand the data you collect once you have learned about your individual impressions.
What you learn in one cycle should be used in the design of the next. This process is then repeated until you find a sustainable model.

Principle 6 - The Pivots

Many startups believe in the popular myth that the secret to success is to have perseverance and a lot of will power: a heroic founder has a brilliant idea and goes through several obstacles until the product succeeds.
But this way of thinking leads companies to what the author calls "the land of the undead." As zombies, they are unaware of their surroundings and are still struggling to sell a product that the market simply does not want.
To avoid this, you should ask yourself how you can change your product to improve it and help you find your market. In addition, you must be open to what the author calls "pivot" - a fundamental change of direction.
A pivot can take many forms, such as redefining the innate value of the product, pursuing a different market segment or changing its main sales channel.
A characteristic of pivoting is the conduct of new hypothesis tests, since the initial assumptions of the startup have changed.
Deciding this can be difficult, and many startups end up avoiding or postponing that choice. Therefore, it is valid to conduct monthly meetings to analyze the situation and deal with the matter.
Many startups had to swing a few times before succeeding. Take Groupon as an example: it started out as a platform for activism and fundraising, and nowadays it's an e-commerce marketplace.

Principle 7 - Growth Engine

A key part of any business is the growth engine, which ensures that the company does not become stagnant. There are three types:

The Recurring Growth Engine

It works by retaining existing customers that already generate a steady stream of revenue. The focus is not on gaining new consumers, so no major marketing investments are made in that direction.
Instead, new features or better services are offered for current consumers to use your product more often.

The Viral Growth Engine

The purpose of this type is to get the customers themselves to do the marketing work for the company. Awareness about your product spreads to your target audience through word of mouth.
This enables startup to save on advertising campaigns, so it's important to make it easier for customers to engage in this type of viral marketing.
A good example was when the Hotmail email service added an automatic signature at the end of each email saying "PS: Get your free email in Hotmail."
In six months, the service had more than 1 million new customers registered.

The Paid Growth Engine

The last method depends on the investment in marketing, such as paid online advertising.
This modality is only sustainable if customers bring enough revenue to ensure that the cost per customer acquisition is less than the lifetime value of the customer.

In general, it is possible to attack with these three growth fronts at the same time, but it is smart to focus on only one so that it can generate results more quickly.
In addition, doing only one method helps to evaluate the success of new features: if they help the growth engine gain speed, they are valuable; if not, they are wasteful and should be eliminated.

Principle 8 - Adaptation

One of the most important discoveries of Lean philosophy was that you cannot change quality by time. If you are having quality issues now, the resulting defects will slow you down in the future.
To accelerate, lean startups need processes that provide a natural cycle of feedbacks. Adaptive processes force you to invest in problem solving that is wasting time.
As these preventive efforts generate results, you naturally can grow. One method recommended by the author to identify the root cause of problems is the 5 Whys.
In summary, the work of the startups is never finished. Even established companies must learn to conduct different forms of work at the same time, seek operational excellence and always try to innovate.

Reading is good, action is better.

Okay, but how can I apply this in my life?

Unlike traditional companies, Startups need to be managed differently from those already established. The goal is to find a sustainable business model.
With the analysis of "The Lean Startup", the reader is able to understand and apply an approach to test his main assumptions and, in sequence, build a sustainable business model.
After reading it, you will be able to quickly develop product prototypes, and in the sequence, improve continuously, from the customer experience and learning cycles.

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