The Lean Startup
#leanstartup

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Housekeeping

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About the Speaker

• Eric Ries
  – Entrepreneur
  – Co-founder and CTO of IMVU
  – StartupLessonsLearned.com
  – Co-author of several books
Myth #1

Myth
Lean means cheap. Lean startups try to spend as little money as possible.

Truth
The Lean Startup method is not about cost, it is about speed.
Myth #2

Myth
The Lean Startup is only for Web 2.0/internet/consumer software companies.

Truth
The Lean Startup applies to all companies that face uncertainty about what customers will want.
Myth #3

Myth

Lean Startups are small *bootstrapped* startups.

Truth

Lean Startups are ambitious and are able to deploy *large amounts of capital*. 
Myth #4

Myth
Lean Startups replace vision with data or customer feedback.

Truth
Lean Startups are driven by a compelling vision, and are rigorous about testing each element of this vision.
What is a Startup?

A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty.

Nothing to do with size of company, sector of the economy, or industry.
Most Startups Fail
Most Startups Fail
Most Startups Fail
Most Startups Fail

• But it doesn’t have to be that way
• We can do better
• This talk is about how
Entrepreneurship is Management

• Our goal is to create an institution, not just a product
• Traditional management practices fail
  • “general management” as taught to MBAs
• Need practices and principles geared to the startup context of extreme uncertainty
• Not just for “two guys in a garage”
The Pivot

• What do successful startups have in common?
  – They started out as digital cash for PDAs, but evolved into online payments for eBay
  – They started building BASIC interpreters, but evolved into the world's largest operating systems monopoly

• They were shocked to discover their online games company was actually a photo-sharing site

• Pivot: change directions but stay grounded in what we’ve learned
Speed Wins

If we can reduce the time between major iterations

We can increase our odds of success
A Tale of Two Startups
Startup 1
Stealth Startup Circa 2001
We are building something that your friends will lust after (and beg to beta test).
It’s not B2B e-commerce.
We can’t tell you what it is.

But we can tell you who’s on the team.

In start-ups, it’s all about the team.
A Good Plan?

• Start a company with a compelling long-term vision

• Raise plenty of capital

• Hire the absolute best and the brightest

• Hire an experienced management team with tons of startup experience

• Focus on quality

• Build a world-class technology platform

• Build buzz in the press and blogosphere
In Memoriam

There.com Will Shut Down on March 9
March 3, 2010 | Dean Takahashi | 5 Comments

Real-world woes shuttering virtual world There
March 2, 2010 2:17 PM PST

Virtual world There.com shutting down March 9
Achieving Failure

• Product launch failed
  - $40MM and five years of pain

• … but the plan was executed well

• Crippled by “shadow beliefs” that destroyed the effort of all those smart people
Shadow Belief #1

We know what customers want.
Shadow Belief #2

We can accurately predict the future.
Shadow Belief #3

Advancing the plan is progress.
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Startup 2
Come here often?

I do now!
New Plan

• Shipped in six months – a horribly buggy beta product
• Charged from day one
• Shipped multiple times a day  
  (by 2008, on average 50 times a day)
• No PR, no launch
• Results 2009: profitable, revenue > $20MM
Making Progress

- In a lean transformation, question #1 is – which activities are value-creating and which are waste?
- In traditional business, value is created by delivering products or services to customers.
- In a startup, the product and customer are unknowns.
- We need a new definition of value for startups.
Traditional Product Development
Unit of Progress: Advance to Next Stage

Waterfall

Requirements

Specifications

Design

Problem: known

Solution: known

Implementation

Verification

Maintenance
Agile Product Development
Unit of Progress: A line of Working Code

"Product Owner" or in-house customer

Problem: known
Solution: unknown
Product Development at Lean Startup

Unit of Progress: Validated Learning About Customers ($$$)

Problem: unknown
Solution: unknown

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Hypotheses, Experiments, Insights

Data, Feedback, Insights

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Minimize TOTAL time through the loop
There’s much more...

Learn Faster
- Split Tests
- Customer Interviews
- Customer Development
- Five Whys Root Cause Analysis
- Customer Advisory Board
- Falsifiable Hypotheses
- Product Owner Accountability
- Customer Archetypes
- Cross-functional Teams
- Semi-autonomous Teams
- Smoke Tests

Build Faster
- Unit Tests
- Usability Tests
- Continuous Integration
- Incremental Deployment
- Free & Open-Source Components
- Cloud Computing
- Cluster Immune System
- Just-in-time Scalability
- Refactoring
- Developer Sandbox
- Minimum Viable Product

Measure Faster
- Split Tests
- Clear Product Owner
- Continuous Deployment
- Usability Tests
- Real-time Monitoring
- Customer Liaison

Measure Faster
- Funnel Analysis
- Cohort Analysis
- Net Promoter Score
- Search Engine Marketing
- Real-Time Alerting
- Predictive Monitoring
Thanks!

• Startup Lessons Learned Blog
  – http://StartupLessonsLearned.com

• Getting in touch (#leanstartup)
  – http://twitter.com/ericries
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• Lean Startup Intensive at Web 2.0 Expo
  May 3, 2010 in San Francisco