LEAN STARTUP CONCEPTS & HOW TO BECOME A LEAN STARTUP

The Lean Startup concept has it roots to Toyota's transformative Lean Manufacturing method for waste minimization and productivity increase.

Lean Startup elevates these goals to incorporate continuous improvement, identifying the big picture associated with each progress phase and using the continuous feedback loop to better engage end-users and relevant stakeholders.

Let's take a look.

What is Lean Startup?

Lean Startup is a methodology designed to validate a business hypothesis through short and rapid release cycles of product features, business models, and strategies.

The concept is designed to reduce market risk by validating learning through the release of a Minimum Viable Product (MVP). That is, designing a low-barrier to entry first version of a product, so that it can start driving value sooner, and then iterating on it consistently to add more improvements and functionality.

Lean Startup embraces getting rid of waste:

(Learn about Lean Six Sigma, another Lean offshoot.)

Becoming a Lean Startup

For startup firms and small organizations, the concept of Lean Startup is easy to adopt considering their agility to transition into new market segments and strategies without incurring significant cost and risk.

For large enterprises however, every product release is received by a larger market and has to be scaled across the customer-base to identify the true value to end-users and business. This means that the initial cost and risks associated with transitioning to new business models, product features, and strategies can outweigh the proposed benefits of making the changes.

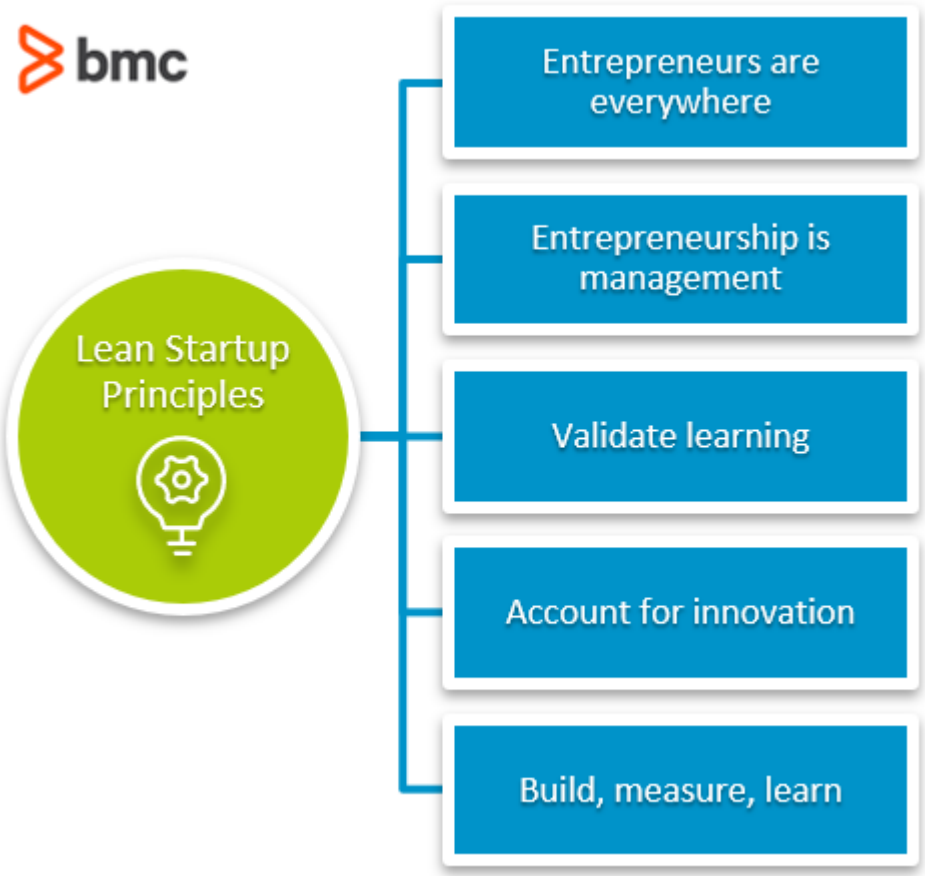
However, failing to adapt to market changes and evolving customer expectations also risk competitive strength against fast moving startups.

Consider the case example of Uber. The startup originally tested an MVP offering a crowd-sourced ride-sharing platform. The idea was welcomed and validated by the first set of users and the

company was able to quickly expand to more cities, countries, and eventually disrupted the global transportation industry. The idea of crowd-sourced service sharing platform was not entirely new, but car manufacturers and transportation service providers failed to replicate similar business models, services, and the agility to disrupt the industry.

Lean Startup concepts & principles

The concepts of Lean Startup can apply to organizations of all sizes and industries. If you're following these best concepts and principles, you're well on your way to being a Lean Startup.



1. Entrepreneurs are everywhere.

Large enterprises tend to employ creative, ambitious, and competent individuals in abundance. These are the same traits commonly found in entrepreneurs.

Large enterprises therefore have the necessary enablers to operate as a Lean Startup, although they may face a different set of challenges preventing execution of the Lean Startup methodology.

Here are some ways to encourage entrepreneurs:

- Unleash the entrepreneurial spirit of front-line employees in sales departments who engage with customers on a daily basis.
- Empower these individuals with control over generating new ideas and business avenues.
- Give them the flexibility and autonomy to make decisions and break the hierarchies that resist change derived from the learnings achieved outside the building.
- Incentivize experimentation internally, such that an entire ecosystem of change is appreciated as well as aligned with the real-world needs of the market.

2. Entrepreneurship is management.

The goal of entrepreneurship management within a corporate environment is not to treat the startup team as a product but to institutionalize the entrepreneurial venture.

The startup team itself shouldn't just focus on experimenting and producing innovative new products, but to produce means of continuous innovation. The resulting changes should ultimately transform the large organization into a sustainable enterprise by means of innovation changes including, but not limited to, new business models and products.

Considering the higher risk of changes to an otherwise stable enterprise, disciplined management will be required. There is no standardized approach to manage entrepreneurship within a corporate environment, but a traditional way of management may not work effectively. Both cultural and hierarchical changes may be necessary to address the management requirements of a startup organization.

3. Validate learning.

Large organizations invest significant resources in research and development, with many initiatives geared toward technology improvement. For new inventions to translate into valuable innovation products that would address real market needs and disrupt the market...

- Both small and startup firms and large enterprises should validate learning from the very beginning.
- The big difference is that large enterprises can validate their learnings with controlled experiments to reduce risk of rolling out a new product feature that nobody in the market likes.

A viable strategy is to develop semi-autonomous teams that can identify the real market need and develop a solution before pursuing the mass market. This is where the concept of MVP comes into play. Organizations can always validate their assumptions by introducing an MVP into the market.

4. Account for innovation.

Traditional incentives and accountability processes don't hold well with the innovation needs of a Lean startup. A typical large enterprise pays performance bonus and perks when employees roll out a new product that does well in the industry.

Career equity, however, is seen with less importance in comparison. Employees are encouraged to develop products designed to work well based on known information of the market and customer requirements. From another perspective, employees are not necessarily encouraged for experiments that have a higher degree of failure irrespective of the knowledge gained during the experimentation process.

Instead, large organizations should reward experimentation and lessons learned through failures. Progressive enterprises such as Facebook embrace the culture of failing fast and early (at least they used to). As a result, Facebook is able to both:

- Operate at a global scale
- Roll out features and services at the pace of a Lean Startup firm

(Explore our Guide to Enterprise Innovation.)

5. Build-Measure-Learn.

Lean Startup organizations are designed to eliminate friction especially when it comes to"

- Developing new product features
- Measuring performance
- Using continuous feedback to improve the processes, business models, and product qualities

Large companies may need to overhaul their governance procedures and controls to facilitate work planning, budget distribution, and team development, among other aspects of introducing a new MVP to the market.

To build, measure, and learn:

- Identify appropriate metrics tailored for each entrepreneurial journey.
- Engage end-users into a feedback loop to derive the insightful information that will power business decisions associated with future product releases.
- For technology-driven enterprises, use the principles of Agile and DevOps to expedite the Build-Measure-Learn cycle.

Finally, teams working on startup-like entrepreneurial initiatives in corporate environments should lean away from all efficiencies and improvements that are ultimately destined to end-up as waste. Instead, learn what's truly required to solve end-user pain points at scale, and focus all efforts into developing tangible solutions to those problems.

Related reading

- BMC Business of IT Blog
- Design Thinking, Lean Startup, and Agile: What's The Difference?
- Introduction To Kaizen: A Valuable ITSM Tool
- Organizational Change Management: A Template for Change
- Organizational Change Best Practices