



# The Lean Startup

**Eric Ries**

Crown Publishing Group, 2011  
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## Reviewed by Tom Bellinson

Wait! Before you pass up this book review because you're not managing a startup business, consider this: Intuit, one of the largest software manufacturers in the world, is cited extensively in this book. We are constantly bombarded by pundits telling us we must innovate and disrupt markets, but nobody is telling us exactly how to do it.

If you're involved in manufacturing, you probably know something about lean thinking. You may even have heard of lean accounting. It seems that the concepts behind lean thinking can be applied to many disciplines. Finally, someone has applied it to product development.

Startup businesses are at a stage of development in which it is natural to assume that they are engaged in establishing products, services and/or markets. Since the principles in the book address this stage of development, the book is aptly named. However, here in the 21<sup>st</sup> century, ALL businesses are expected to be establishing products, services and/or markets on an almost continual basis. Therefore, take heed.

### Concepts

If you are in the business of manufacturing hard goods, you will need to do some abstraction to fully appreciate this book. While Ries does try to address other types of businesses, he is a product of Silicon Valley and most of his experience and clients are in the software business. That does not make the principles in the book any less valuable to other types of businesses. Here's a quick summary of the concepts that apply:

- **Learning as the Currency of Success** – any new venture starts with a set of hypotheses about the product and its market. The very nature of innovation suggests that many factors are unknowable. Starting with this premise, the most valuable commodity that a new venture can accumulate is knowledge about the nature of the marketplace and their desires for your product concept. Nothing else is more important, so learning should be the early goal.
- **Minimum Viable Product (MVP)** – because learning is the most important goal, shortening the time between product/service development iterations maximizes learning opportunities. So, rather than build a product/service that fulfills your entire vision, create something as quickly as possible that you can use to test your basic hypotheses about the market's desire for your concept. Early adopters will be much more tolerant of rough edges anyway.
- **Split Testing** – Walt Whitman wrote of the "path not taken." If we choose a single path,

we can never know where the other path would have led. Therefore, when testing new product/service iterations, random prospects should be directed to the existing product/service or the new one on a 50/50 split. The same data should be gathered about both groups, so performance differences can be compared. There are too many variables to track all of them, so by doing a random split test during each iteration, all the variables that are not being tested can be held constant.

- **Vanity Metrics vs. Innovation Accounting** – metrics that show growth over time can be deceiving. Growth can be caused by lots of things including the momentum of previous improvements. Evaluating these types of metrics give an inflated view of the effect of current innovations. By doing split testing and measuring only data from the current iteration, specific effects of the changes can be evaluated in isolation. Further, the effects of each iteration can also be plotted across iterations to evaluate whether your ability to learn and improve in each iteration is also increasing.
- **Pivoting** – when things go wrong, which they inevitably will, a choice to persevere with the current course and make slight corrections or to pivot away from the current course must be made. By shortening the time between iterations using an MVP strategy, the cost of a pivot is lowered, but the psychological effects of abandoning a course of action can be harder to overcome. Innovation accounting should help to highlight the failure of a course of action and make it easier to make the decision to pivot. There are different types of pivots. Some are related to the product and others to the market.

## Summary

The book has a lot more to offer on these topics and there is plenty of other advice for implementing such a program in companies new and old, large and small. The many examples may not be relevant to your industry, but they are entertaining and with a little imagination, you can see how a similar scenario could be duplicated in your own business.

When one thinks back on the business books that started a revolution in business thinking, people like Frederick Taylor (extensively cited in this book), Peter Drucker, Tom Peters and Jim Collins come to mind. I suspect that with The Lean Startup, Eric Ries may well be on his way to becoming another icon of business thinking. Most of his ideas are not new, but the packaging is superb and the strategy is very right for our times.

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