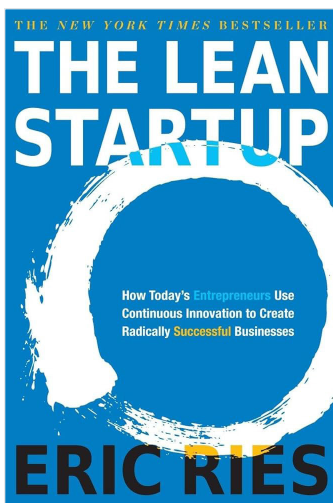


# EXECUTIVE BOOK SUMMARIES

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## ABOUT THE AUTHOR

### Eric Ries

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## The Lean Startup

### NUTSHELL

Penguin Random House 2011

The Lean Startup is a set of practices for helping entrepreneurs increase their odds of building a successful startup. To set the record straight, it's important to define what a startup is: A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty.

In the Lean Startup model, we are rehabilitating learning with a concept I call validated learning. Validated learning is the process of demonstrating empirically that a team has discovered valuable truths about a startup's present and future business prospects. It is more concrete, more accurate, and faster than market forecasting or classical business planning. It is the principal antidote to the lethal problem of achieving failure: successfully executing a plan that leads nowhere.

The Lean Startup methodology reconceives a startup's efforts as experiments that test its strategy to see which parts are brilliant and which are crazy. A true experiment follows the scientific method. It begins with a clear hypothesis that makes predictions about what is supposed to happen. It then tests those predictions empirically. Just as scientific experimentation is informed by theory, startup experimentation is guided by the startup's vision. The goal of every startup experiment is to discover how to build a sustainable business around that vision.

# The Lean Startup

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The first step in understanding a new product or service is to figure out if it is fundamentally value-creating or value-destroying. I use the language of economics in referring to value rather than profit, because entrepreneurs include people who start not-for-profit social ventures, those in public sector startups, and internal change agents who do not judge their success by profit alone.

Numbers tell a compelling story, but I always remind entrepreneurs that metrics are people, too. No matter how many intermediaries lie between a company and its customers, at the end of the day, customers are breathing, thinking, buying individuals. Their behavior is measurable and changeable.

The first step in this process is to confirm that the customer has a significant problem worth solving. The goal of such early contact with customers is not to gain definitive answers. Instead, it is to clarify at a basic, coarse level that we understand our potential customer and what problems they have. With that understanding, we can craft a customer archetype, a brief document that seeks to humanize the proposed target customer. This archetype is an essential guide for product development and ensures that the daily prioritization decisions that every product team must make are aligned with the customer to whom the company aims to appeal.

A minimum viable product (MVP) helps entrepreneurs start the process of learning as quickly as possible. Contrary to traditional product development, which usually involves a long, thoughtful incubation period and strives for product perfection, the goal of the MVP is to begin the process of learning, not end it. Unlike a prototype or concept test, an MVP is designed not just to answer product design or technical questions. Its goal is to test fundamental business hypotheses.

Minimum viable products range in complexity from extremely simple smoke tests (little more than an advertisement) to actual early prototypes complete with problems and missing features. Deciding exactly how complex an MVP needs to be cannot be done formulaically. It requires judgment. Luckily, this judgment is not difficult to develop: most entrepreneurs and product development people dramatically overestimate how many features are needed in an MVP. When in doubt, simplify.

At this point, a startup's job is to (1) rigorously measure where it is right now, confronting the hard truths that assessment reveals, and then (2) devise experiments to learn how to move the real numbers closer to the ideal reflected in the business plan.

Innovation accounting enables startups to prove objectively that they are learning how to grow a sustainable business. Innovation accounting begins by turning the leap-of-faith assumptions into a quantitative financial model. Innovation accounting works in three steps: first, use a minimum viable product to establish real data on where the company is right now. Without a clear-eyed picture of your current status—no matter how far from the goal you may be—you cannot begin to track your progress.

Second, startups must attempt to tune the engine from the baseline toward the ideal. This may take many attempts. After the startup has made all the micro changes and product optimizations it can to move its baseline toward the ideal, the company reaches a decision point. That is the third step: pivot or persevere.

Everything that has been discussed so far is a prelude to a seemingly simple question: are we making sufficient progress to believe that our original strategic hypothesis is correct, or do we need to make a major change? That change is called a pivot: a structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth.

# The Lean Startup

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Startup productivity is not about cranking out more widgets or features. It is about aligning our efforts with a business and product that are working to create value and drive growth. In other words, successful pivots put us on a path toward growing a sustainable business. Ask most entrepreneurs who have decided to pivot and they will tell you that they wish they had made the decision sooner.

What would an organization look like if all of its employees were armed with Lean Startup organizational superpowers? We would not waste time on endless arguments between the defenders of quality and the cowboys of reckless advance; instead, we would recognize that speed and quality are allies in the pursuit of the customer's long-term benefit. We would race to test our vision but not to abandon it. We would look to eliminate waste not to build quality castles in the sky but in the service of agility and breakthrough business results. We would dedicate ourselves to the creation of new institutions with a long-term mission to build sustainable value and change the world for the better.

Most of all, we would stop wasting people's time.