

INTRODUCTION

Overview

The majority of startup companies fail.

According to Eric Ries, the author of *The Lean Startup*, a startup can reduce their odds of failure by implementing the Lean Startup method. At its roots, the Lean Startup method aims to decrease the risk of failure and increase the likelihood of success by applying the principles of lean manufacturing to the field of entrepreneurship.

The Lean Startup method provides startups with a framework for generating product hypotheses, rapidly testing these hypotheses on customers, and then determining whether to further refine the product or shift resources toward a new product direction. This process is designed to increase the speed of learning and decrease the waste of valuable resources.

About the Author

Eric Ries is a Silicon Valley entrepreneur and co-founded and served as CTO at IMVU, his third startup of many. *The Lean Startup* is his first book; he is also the author of the popular blog, *Startup Lessons Learned*. He was named one of the Best Young Entrepreneurs of Tech by *Business Week* in 2007 and honored with a Tech Fellow award in the category of Engineering Leadership in 2009. He has advised a number of companies, ranging from small startups to venture capital firms, on business and product strategy. He is also an Entrepreneur-in-Residence at Harvard Business School. The Lean Startup methodology has been reported on in *The New York Times*, *Wall Street Journal*, *Harvard Business Review*, and *Huffington Post*.

How the Book Came About

Throughout his early career as a computer programmer, Ries built a number of products that failed to be adopted by consumers. As a programmer, he tended to see solutions (and therefore problems) from a technical angle, not

from a managerial or entrepreneurial viewpoint. Upon further investigation, however, Ries understood that the problems were not technical, but rather the failure of the business processes he was employing.

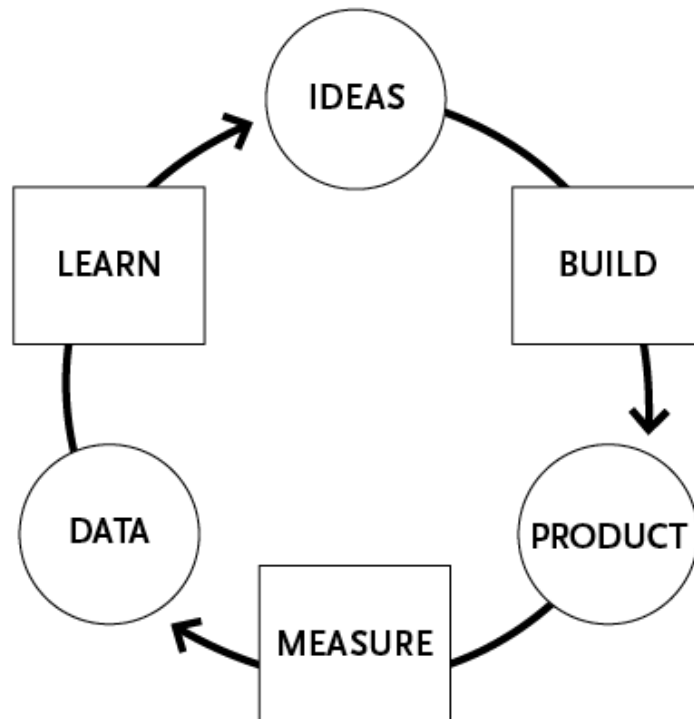
To better understand the causes of his repeated failures, Ries evaluated the processes of various industries in search of methods that could revolutionize the entrepreneurial process. In discovering a lean manufacturing process, the *Toyota Production System*, he was introduced to a new way of thinking and the framework for the Lean Startup method was born. Ries' book *The Lean Startup* is the result of both his own personal Lean Startup successes and the widespread growth of the Lean Startup movement, from early-stage startups to Fortune 500 boardrooms.

1

START

Overview

There is too much uncertainty in a startup to blindly follow a business plan and hope that customer needs are met along the way. Instead, the Lean Startup method shows entrepreneurs how to establish an agile process that iteratively develops a product based on direct customer feedback.



The *Build-Measure-Learn* feedback loop

Building a successful startup begins with the implementation of the *Build-Measure-Learn* feedback loop. Iterations of this loop provide continuous customer feedback, enabling entrepreneurs to constantly make adjustments during product development.

“... the Lean Startup is a new way of looking at the development of innovative new products that emphasizes fast iteration and customer insight, a huge vision, and great ambition all at the same time.”

— Eric Ries, *The Lean Startup*

Chapter Summary

The Lean Startup method is inspired by Toyota’s revolutionary lean manufacturing system. Lean manufacturing, which advocates a just-in-time production process, employs rapid learning to accelerate production cycles. For startups, this method recommends using rapid customer learning to accelerate product development cycles. The cyclical process of repeated learning and product development that results is what Ries calls the Build-Measure-Learn feedback loop.

The Build-Measure-Learn feedback loop helps startups focus their efforts on *value-creating activities*, which are activities that validate the creation of value for customers. In contrast to following a business plan based on initial (and often unproven) assumptions, each iteration of the Build-Measure-Learn feedback loop aims to gather incremental qualitative or quantitative customer data and use it to inform and improve a product’s strategy. To guide the development of a product, startups should dedicate their efforts towards this iterative process, which Ries calls *tuning the engine*.

“The Lean Startup method ... is designed to teach you how to drive a startup. Instead of making complex plans that are based on a lot of assumptions, you can make constant adjustments with a steering wheel called the Build-Measure-Learn feedback loop.”

— Eric Ries, *The Lean Startup*

Chapter 1: Key Points

- The Lean Startup method is inspired by Toyota's lean manufacturing system.
- Entrepreneurs should employ the *Build-Measure-Learn* feedback loop, an iterative process that captures customer data and uses it to inform adjustments in product strategy.
- *Value-creating activities*—activities that identify what customers find valuable (and thus are willing to pay for and/or spend time using)—should be prioritized when developing products.