Create a Sustainable Business…the real goal for all startups

Business folks know the fact that the vast majority of startups fail. But according to Eric Ries, author of *The Lean Startup*, the good news is that those failures can be prevented if you take a structured and scientific approach. "Startup success can be engineered by following a process," he says. And if there's a process, that means it can be learned. I admit that I have had this book on my “to read” list since it came out last September. Now that I have gotten to it, I found some “nuggets” of business sense that I will pass on to you today.

I think it was 15 to twenty years ago when I first heard the term “lean” being applied to business and organizational management. The term may have been born when Womack and Jones popularized it in their 1996 book, *Lean Thinking*. Lean was their expression for what they observed by studying Toyota’s manufacturing processes as an absence of waste. This concept has moved beyond the factory floor to become an organizing principle and practice that seeks to fully engage everyone in an organization in creating and delivering the highest possible customer value through relentless innovation. Processes are streamlined and problems are solved, with the goal of flowing benefit to the customer in the most optimal way possible.

*The Lean Startup*, which is based on the principles of lean, provides a scientific approach to creating and managing startups, developing a new product, getting that product into customers' hands faster, steering the startup more effectively, and driving growth with maximum acceleration.

According to Ries, "Too many startups begin with an idea for a product that they think people want, they then spend months, sometimes years, perfecting that product without ever showing the product, even in a very rudimentary form, to the prospective customer. When they fail to reach broad uptake from customers, it is often because they never spoke to prospective customers and determined whether or not the product was interesting. When customers ultimately communicate, through their indifference, that they don't care about the idea, the startup fails."

Ries defines what a startup is: *an organization dedicated to creating something new under conditions of extreme uncertainty*. "This is just as true for one person in a garage or a group of seasoned professionals in a Fortune 500 boardroom. What they have in common is a mission to penetrate that fog of uncertainty to discover a successful path to a sustainable business."

He describes four key elements of learning to implement a sustainable startup:

1. **Learn process**

The lack of a tailored management process has led many a startup to abandon all process in favor of a "just do it" approach that avoids all forms of management. A successful startup must create order, not just chaos, and put a rigorous process around the development of a product.

2. **Learn to experiment**

Every startup is a grand experiment that attempts to answer a question, but the question isn't "Can this product be built?" It's "Should this product be built?" and "Can we build a sustainable business around
this set of products and services?" This experiment is more than just theoretical inquiry; it's a first product, which, if successful, allows a startup to begin enlisting early adopters, adding employees to the next experiment or iteration, and eventually building a product. Ries maintains that, "By the time that product is ready to be distributed widely, it will already have established customers. It will have solved real problems and offer detailed specifications for what needs to be built."

3. Learn to pivot

Once a startup has figured out the problem that needs to be solved, it develops a minimum viable product (MVP) to begin the process of learning as quickly as possible. "Once the MVP is established," says Ries, "a startup can work on tuning the engine. This will involve measurement and learning and must include actionable metrics that can demonstrate cause and effect question." Done correctly, it will be clear whether the company is truly moving on the right path. If not, it's a clear signal to make a structural course correction. Ries terms this a "pivot."

4. Learn to validate

Ries concludes that "Once entrepreneurs embrace validated learning, the development process can shrink substantially. When you focus on figuring the right thing to build—the thing customers want and will pay for—you need not spend months waiting for a product beta launch to change the company's direction. Instead, entrepreneurs can adapt their plans incrementally, inch by inch, minute by minute."

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