

What is Running Lean?

We live in an age of unparalleled opportunity for innovation. With the advent of the Internet, Cloud Computing, and Open Source software, the cost of building products is at an all time low. Yet, the odds of building successful startups haven't improved much:

Most startups still fail.

But the more interesting fact is that of those startups that succeed, two-thirds report having drastically changed their plans along the way¹. So what separates successful startups is not necessarily starting with a better initial plan (or Plan A), but **finding a plan that works** before **running out of resources**.

Up until now, finding this better plan B or C or Z has been based more on gut, intuition, and luck. There has been no systematic process for rigorously stress testing a Plan A.

That is what Running Lean is about:

Running Lean is a systematic process for iterating from Plan A to a plan that works before running out of resources.

Why are startups hard?

First, there is a misconception around how successful products get built. The media loves stories of visionaries that see the future and chart a perfect course to intersect it. The reality, however, rarely plays out quite as simply. Even the unveiling of the visionary computer, the iPad, in Steve Jobs words were years in the making, built on several incremental innovations (and failures) of software and hardware.

Second, the classic product-centric approach front-loads some customer involvement during the requirements gathering phase but leaves most of the customer validation until after the software is released. There is a large “middle” when the startup disengages from customers for weeks or months while they build and test their solution. During this time, it’s quite possible for the startup to either build too much or be led astray from building what customers want. This is the fundamental dilemma described by Steve Blank in “The Four Steps to the Epiphany”, in which he offers a process for building a continuous customer feedback loop throughout the product development cycle that he terms: “Customer Development”.

And finally, even though customers hold all the answers, you simply cannot ask them what they want.

“If I had asked people what they wanted, they would have said faster horses.”

- Henry Ford

A lot of people cite the quote above and declare it hopeless to talk to customers. But hidden in this quote is a customer problem statement: Had customers said faster horses, they would really have been asking for something **faster** than their existing alternative which happened to be a horse.

Given the right context, customers can clearly articulate their problems, but it's your job to come up with the solution.

"It is not the customer's job to know what they want."

- Steve Jobs

Is there a better way?

Running Lean provides a better, faster way to vet new product ideas and build successful products.

Running Lean is about speed, learning, and focus.

Running Lean is about testing a vision by measuring how customers behave.

Running Lean is about engaging customers throughout the product development cycle.

Running Lean tackles both product and market validation in parallel using short iterations.

Running Lean is a disciplined and rigorous process.

Running Lean is a synthesis of three methodologies: **Customer Development, Lean Startup, and Bootstrapping.**

Customer Development

“Customer Development” is a term coined by Steve Blank and is used to describe the parallel process of building a continuous feedback loop with customers throughout the product development cycle as defined in his book: “The Four Steps to the Epiphany”.

The key takeaway from Customer Development can best be summed up as:

“Get out of the building.”

- Steve Blank

Most of the answers lie outside the building - not on your computer, or in the lab. You have to get out and directly engage customers.

Lean Startup

“Lean Startup” is a term trademarked by Eric Ries and represents a synthesis of Customer Development, Agile software development methodologies, and Lean (as in the Toyota Production System) practices.

The term “lean” is often misunderstood as “being cheap”. While “being lean” is fundamentally about eliminating waste or being efficient with resources, that interpretation is not completely misguided.

However, in a Lean Startup we strive to optimize utilization of our scarcest resource, which is time. Specifically, our objective is **maximizing learning (about customers) per unit time**.

The key takeaway from Lean Startup can best be summed up around the concept of smaller, faster, iterations for testing a vision:

“Startups that succeed are those that manage to iterate enough times before running out of resources.”

- Eric Ries

Bootstrapping

“Bootstrapping” is more commonly understood as a collection of techniques used to minimize the amount of external debt or funding needed from banks or investors. People too often confuse bootstrapping with self funding. A stricter definition is funding with customer revenues.

However, I subscribe to a much more philosophical definition of bootstrapping put forward by Bijoy Goswami:

“RIGHT ACTION, RIGHT TIME”

- Bijoy Goswami

Founder, Bootstrap Austin

Startups are inherently chaotic but at any given point in time there are only a few key actions that matter. You need to just focus on those and ignore the rest.

In this book, you’ll learn:

How to first find a problem worth solving, before defining a solution

How to find early customers

When is the ideal time to raise funding

How to test pricing

How to decide what goes into Release 1.0

How to build and measure what customers want

How to maximize for speed, learning and focus

What is Product/Market Fit?

How to iterate to Product/Market fit

Is this book for you?

If you are an considering building a new product, or already have one, and want to raise your odds for building a successful product, this book is for you.

Running Lean is for

- Business Managers
- CEOs
- Developers and programmers interested in becoming successful entrepreneurs
- Bloggers, cofounders, small business people, writers, musicians - anyone who's creative and interested in starting a new business project
- Innovators
- Startup founders

About Me

I bootstrapped my last company, WiredReach, in 2002 which I sold in late 2010. Throughout that time, I have built products in stealth, attempted building a platform, dabbled with open sourcing, practiced release-early release-often, embraced “less is more”², and even tried “more is more”.

The first realization early on was that building in stealth is a really bad idea. There is a fear, especially common among first-time entrepreneurs, that their great idea will be stolen by someone else. The truth is twofold: First, most people are not capable of visualizing the potential of an idea at such an early stage, and second (and more importantly) **they won't care**.

The second realization was that startups can **consume years of your life**. I started my last company with just a spark of an idea and before I knew it, years had passed. While I've had varying levels of success with the products I built, I realized that I needed a better, faster way for vetting new product ideas.

Life's too short to build something nobody wants.

And finally, I learned that while listening to customers is important, **you have to know how**. I used a “release-early, release-often” methodology for one of my products, BoxCloud, and launched a fairly minimal file-sharing product built on a new peer-to-web model we had developed. After we launched, we got covered by a few prominent blogs and dumped some

² A product development philosophy popularized by 37signals.

serious cash into advertising on the DECK network (primarily targeted at designers and developers).

We started getting a lot of feedback from users but it was all over the place. We didn't have a clear definition of our target customer and didn't know how to prioritize this feedback. We started listening to the most popular (vocal) requests and ended up with a bloated application and lots of one-time use features.

At around that time, I ran into Steve Blank's lectures on "Customer Development" from where I followed the trail to Eric Ries' early ideas of the Lean Startup. I had dreamt the big vision, rationalized it in my head, built it and refined it the long, hard way. I knew customers held the answers but didn't know when or how to fully engage them. That's exactly what Customer Development and Lean Startup were attempting to address.

I was sold.

Why this book?

I was determined to apply these techniques to my next product (CloudFire) but ran into many tactical challenges when trying to take these concepts to practice.

For one, Steve Blank's book was written for a specific type of business - Enterprise software, which made it hard to carry over many of the tactics to my products. Also, while Eric Ries was sharing his retrospective lessons learned from working at IMVU, IMVU was no longer a startup. With a technical staff of 40 people and over \$40 million in revenue, what you saw was a fully realized Lean Startup machine which was at times daunting.

I had more questions than answers and decided the best way to answer them was not just trying to adapt these techniques in isolation but openly testing and blogging about my experiences. Writing not only crystallized my own thinking but also forced me to research and really grok a topic.

Along the way, I've made new friends with people that have greatly influenced and continue to refine my thinking: Eric Ries, Steve Blank, Nivi Babak, Dave McClure, Sean Ellis, Hiten Shah, Sean Murphy, Jason Cohen, and Joshua Baer.

I am thankful to the thousands of readers who subscribed to my blog, left comments week after week, and sent me notes of encouragement to keep on writing. This book was really “pulled” out of me by them.

Field tested

As a way to test the content for this book, I started speaking and teaching “Running Lean” workshops. I have shared this methodology with hundreds of startups and worked closely with many of them to test and refine it.

While my blog is a near-realtime account of my lessons learned, this book benefits from retrospective learning, reordering, and refining of steps for a more optimal workflow.

I am applying this new workflow to my next startup which is also a byproduct of my blogging and learning over the last year. As of this writing, I have sold my last company, WiredReach, and am in the process of building a new startup: **Spark59**³.

³ Research conducted on new product success and failure indicates that it takes 58 new product ideas to deliver a successful product.

Disclaimers

Practice Trumps Theory

You don't get a gold star for following a process, but achieving results. One of the things that particularly drew me to the Lean Startup methodology is that it is a meta-process from which more specific processes and practices can be formulated.. The same principles used to test your product can and should be applied to test your tactics when taking these principles to practice.

Everything in this book is based on first-hand experiential learning and experimentation on my own products. I encourage you to rigorously test and adapt these principles for yourself.

There are no silver bullets

No methodology can guarantee success. But a good methodology can provide a feedback loop for continuous improvement and learning.

That is the promise of this book.