

HBR.ORG

Harvard Business Review



MAY 2013
REPRINT R1305C

SPOTLIGHT ON ENTREPRENEURSHIP

Why the Lean Start-Up Changes Everything

by Steve Blank

What Lean Start-Ups Do Differently

The founders of lean start-ups don't begin with a business plan; they begin with the search for a business model. Only after quick rounds of experimentation and feedback reveal a model that works do lean founders focus on execution.

Lean

Traditional

Strategy

Business Model
Hypothesis-driven

Business Plan
Implementation-driven

New-Product Process

Customer Development
Get out of the office and test hypotheses

Product Management
Prepare offering for market following a linear, step-by-step plan

Engineering

Agile Development
Build the product iteratively and incrementally

Agile or Waterfall Development
Build the product iteratively, or fully specify the product before building it

Organization

Customer and Agile Development Teams
Hire for learning, nimbleness, and speed

Departments by Function
Hire for experience and ability to execute

Financial Reporting

Metrics That Matter
Customer acquisition cost, lifetime customer value, churn, viralness

Accounting
Income statement, balance sheet, cash flow statement

Failure

Expected
Fix by iterating on ideas and pivoting away from ones that don't work

Exception
Fix by firing executives

Speed

Rapid
Operates on good-enough data

Measured
Operates on complete data