



The
**Entrepreneurial
Mindset**
and the
Lean Start Up



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Dysfunctional Belief: Your degree determines your career.

Reframe: Three-quarters of all college grads don't end up working in a career related to their majors.



Dysfunctional Belief: If you are successful, you will be happy.

Reframe: True happiness comes from designing a life that works for you.

Dysfunctional Belief: It's too late.

Reframe: It's never too late to design a life you love.

Designing Your Life: How to Build a Well-Lived, Joyful Life. Bill Burnett, Dave Evans

1

Marshmallow Tower Challenge



In **18** Minutes...



**teams must
build the
Tallest
freestanding
structure.**

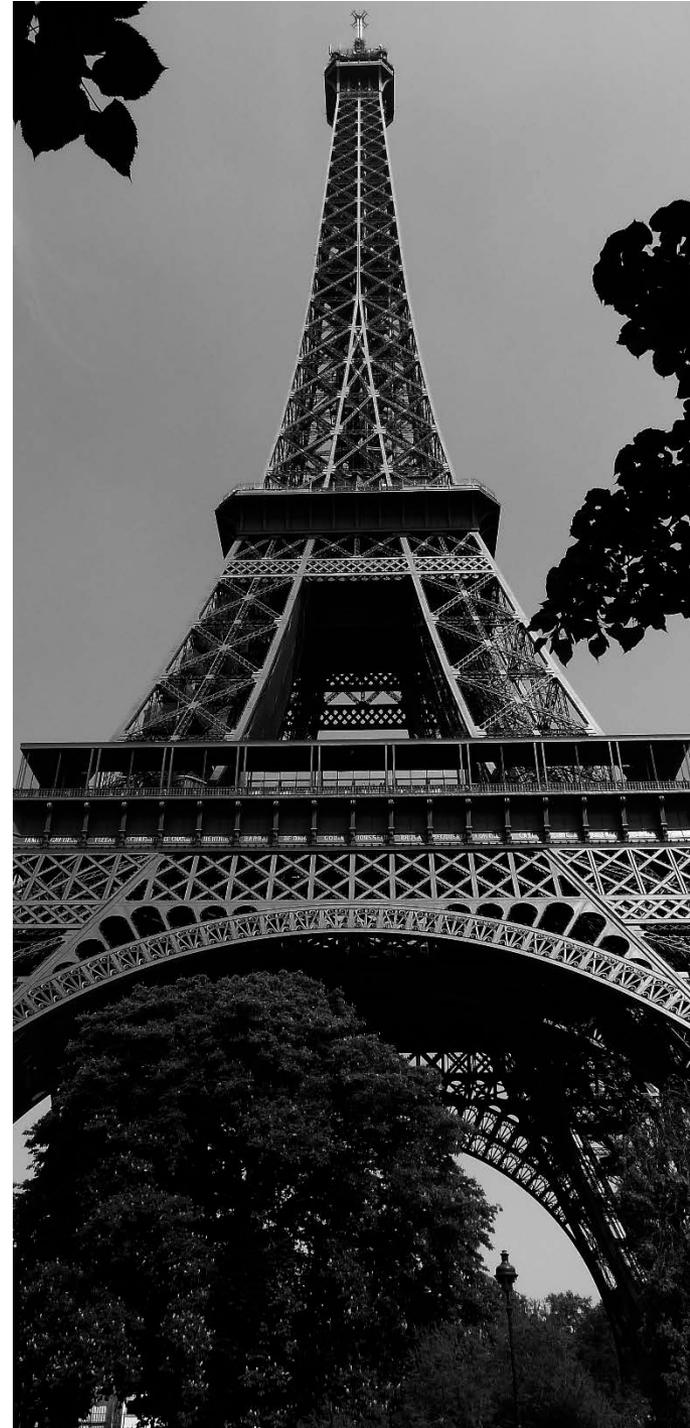
Out of

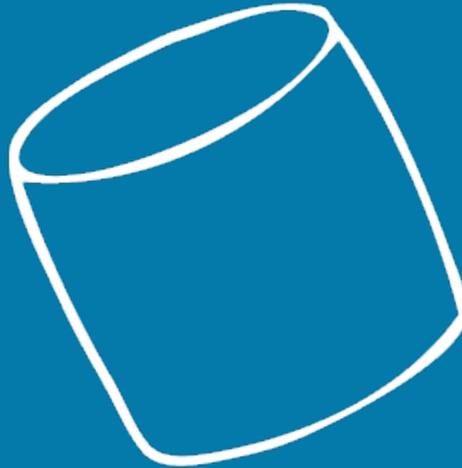
20 sticks of spaghetti

1 yard of tape

1 yard of string

And 1 marshmallow





The marshmallow needs to be on top!

If you have done/seen this before...leave your table and form the “special” team!

**Tom Wujec has run this same
marshmallow experiment
hundreds of times and found
some interesting patterns.**

**Business students
and lawyers
built about half the
average height
of 20 inches.**





**Engineers and
Architects did the
best (and so they
should)!**



BUT here is the really interesting thing...

**Kindergarten KIDS usually do as well
as architects and engineers!**





HUH?



MBAAs and lawyers want to

PLAN

**their way to an optimal
outcome and then execute on
the plan.**

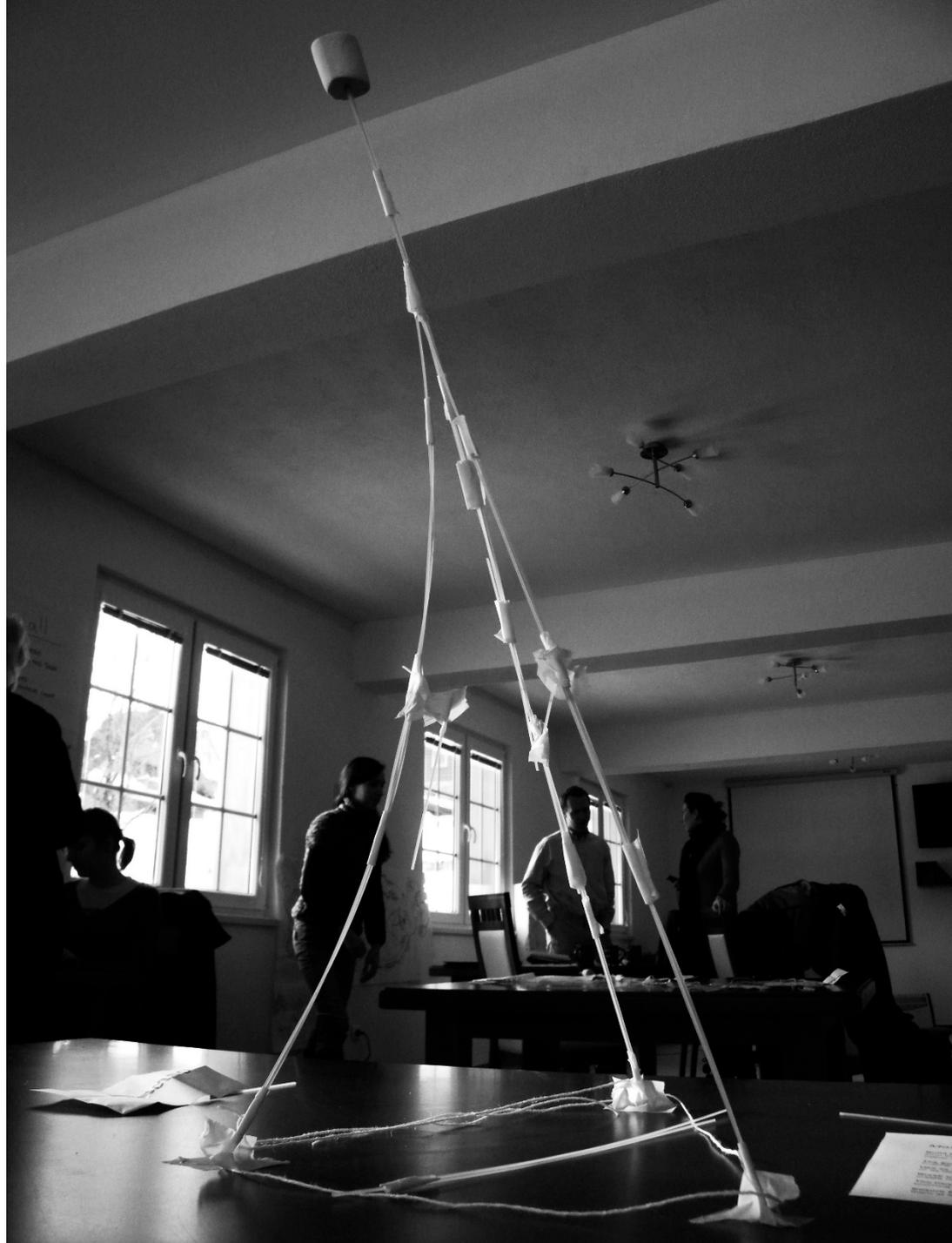
Instead of wasting time trying to make a plan or establish who is in charge, kindergarten kids simply

EXPERIMENT

over and over until they find a model that works.



On virtually every measure of innovation they create taller and more interesting structures.





Under conditions of ambiguity, where outcomes are unknown, most people fall back on a planning mindset.

**A planning mindset increases
your chances of failure
because you waste time
devising strategies
instead of trying out ideas.**

**And incentives
increase the
chances of
failure!**



***What if you
engaged in an
experimentation
mindset?***



2

Research shows that

5

discovery skills

distinguish the most innovative
entrepreneurs from other executives
(Dyer, Gregersen and Christensen)



Questioning

allows innovators to break out of the status quo and consider new possibilities.



2

Through **observing**

innovators detect small behavioral details—in the activities of customers, suppliers, and other companies—that suggest new ways of doing things.



③

In

experimenting

**they relentlessly try on new
experiences and explore the world.**



Through

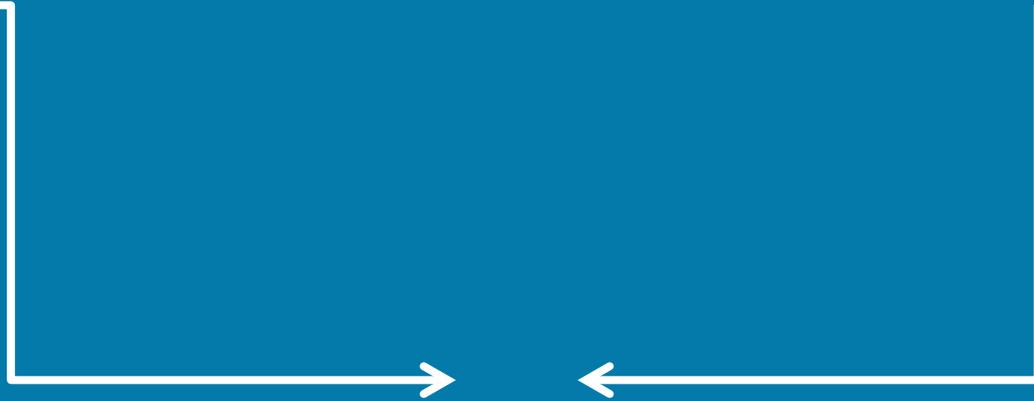
networking

**with individuals and ideas from diverse
backgrounds they gain radically
different perspectives.**



Associational Thinking

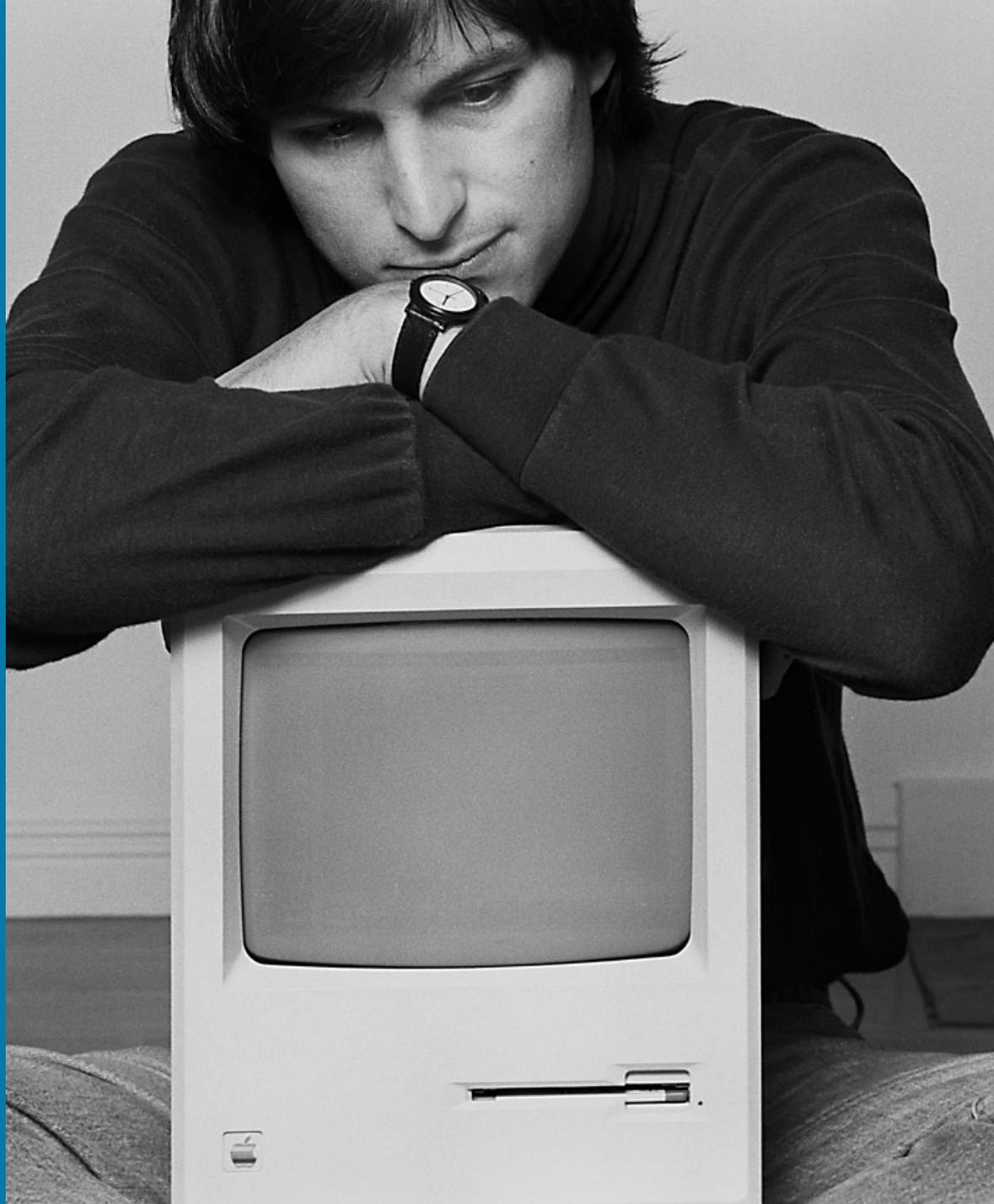
the four patterns of action together
help innovators *associate* to
cultivate new *insights*.



Associational Thinking:

the ability to make connections between seemingly unconnected things.

A calligraphy class inspired Steve Jobs' emphasis on typography on the revolutionary Macintosh.



DOING

questioning

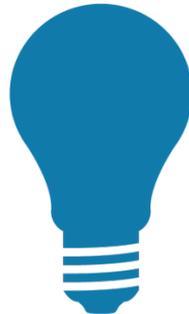
observing

experimenting

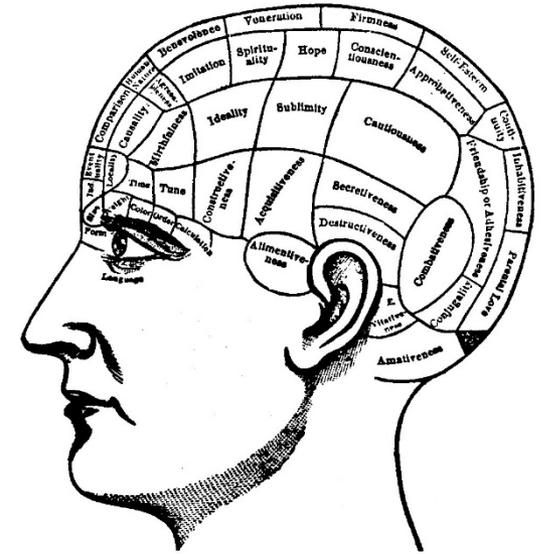
networking

ASSOCIATIONAL THINKING

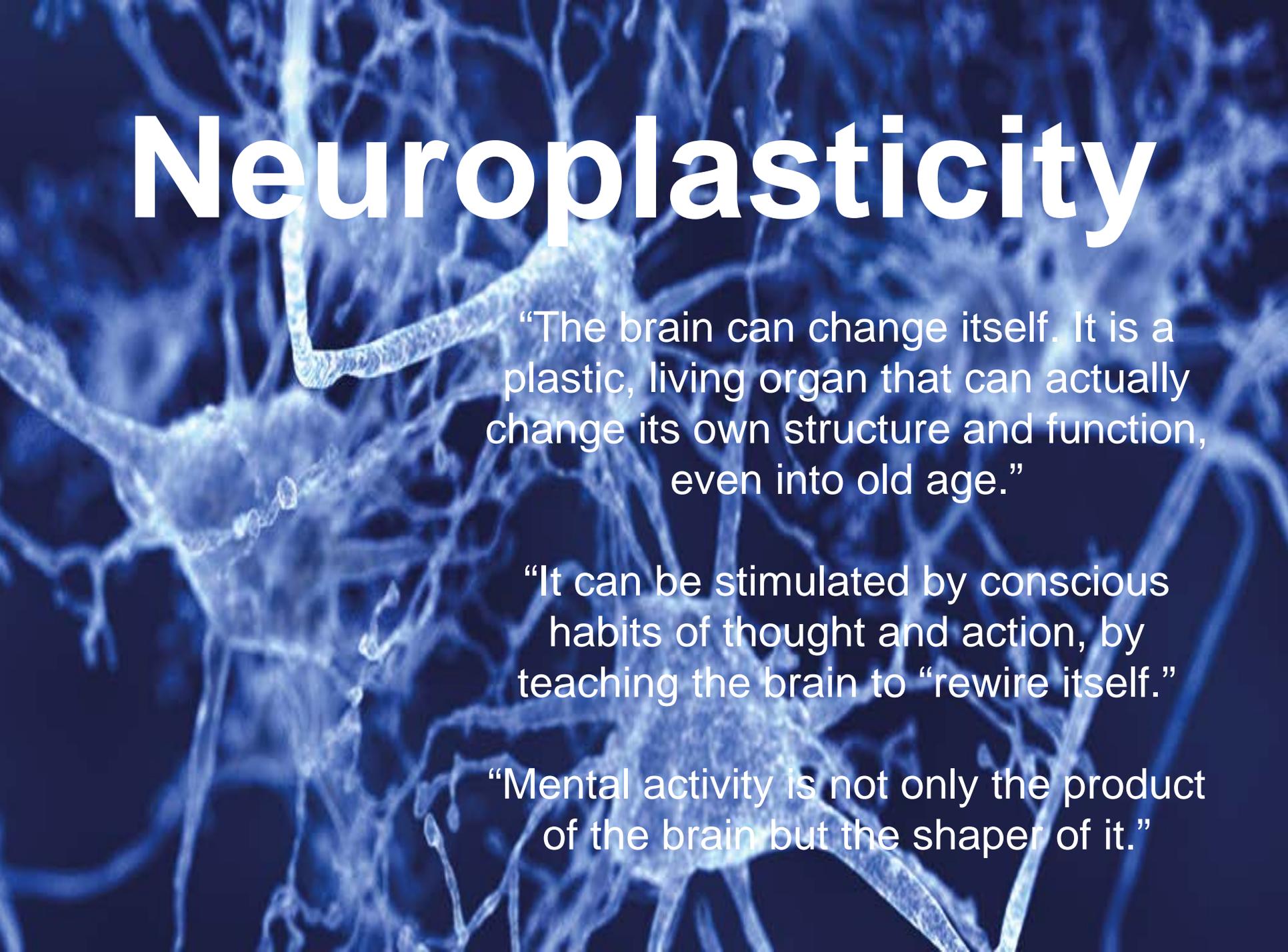
associate to cultivate new insights



Hmm ... it
seems to be
about
MINDSET



Neuroplasticity

A microscopic image of neurons, showing a central cell body with numerous branching processes (dendrites and axons) extending outwards. The image is rendered in shades of blue and white, highlighting the intricate network of neural connections.

“The brain can change itself. It is a plastic, living organ that can actually change its own structure and function, even into old age.”

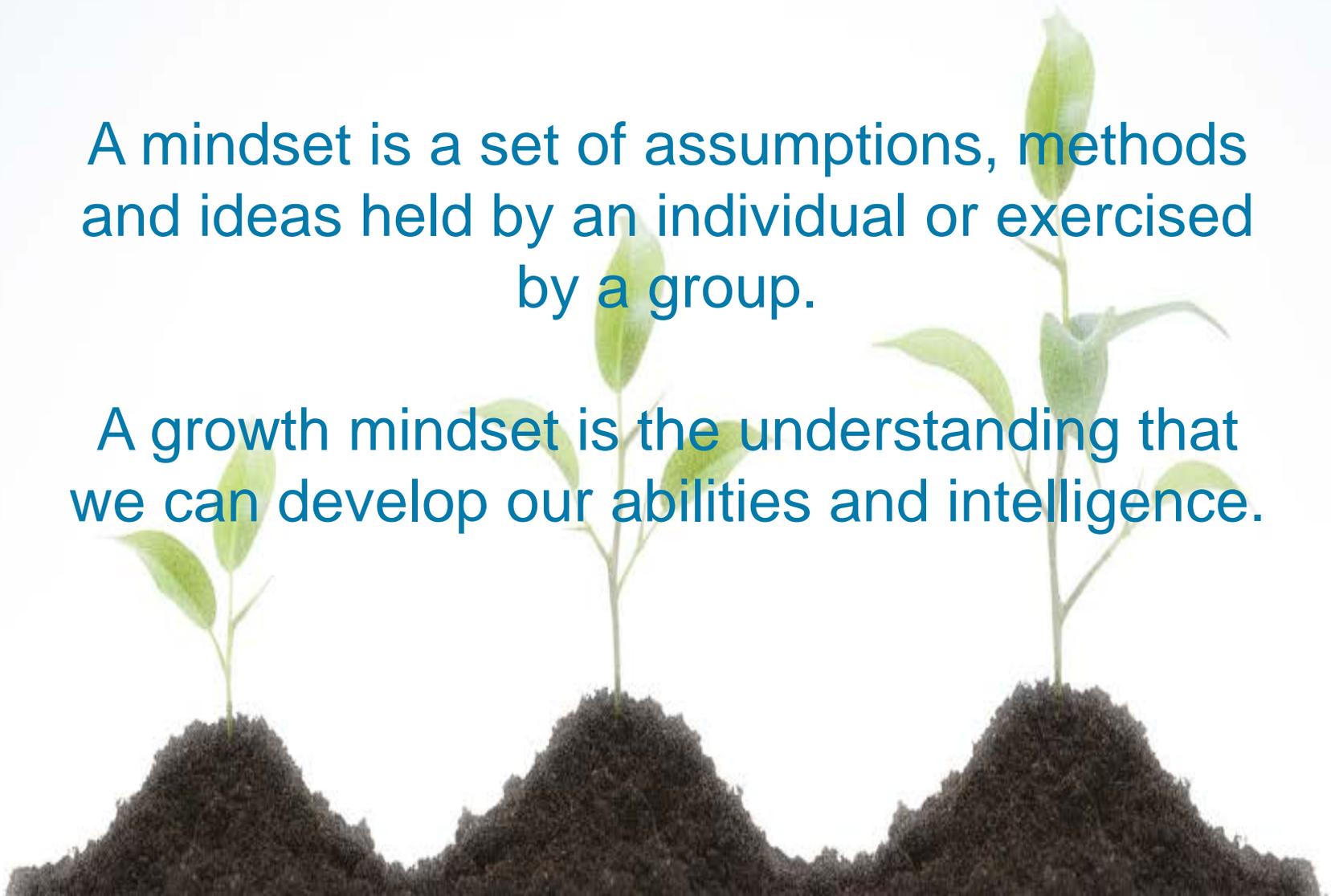
“It can be stimulated by conscious habits of thought and action, by teaching the brain to “rewire itself.”

“Mental activity is not only the product of the brain but the shaper of it.”

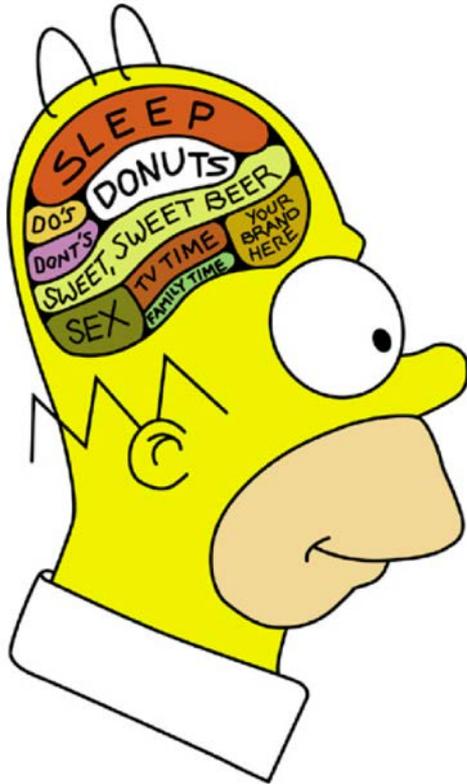
Growth Mindset

A mindset is a set of assumptions, methods and ideas held by an individual or exercised by a group.

A growth mindset is the understanding that we can develop our abilities and intelligence.



FIXED MINDSET



With a fixed mindset, an individual or group believes something is fixed and has defined limitations.

A fixed mindset describes you as either smart or not, you are talented or you are not.

To require effort to improve is proof of lack of intelligence or talent.

Failure is shameful

GROWTH MINDSET

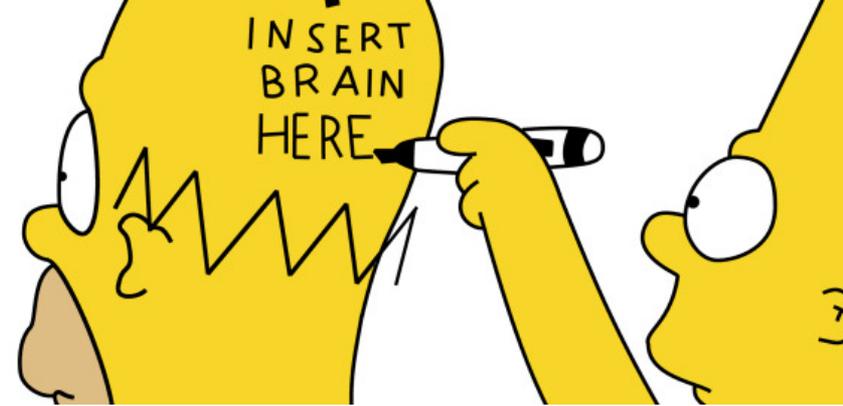
With a growth mindset, an individual or group believes that something is variable and fluid without limitations.

A growth mindset describes intelligence and talent as always changing; both grow over time due to learned behaviors, practiced improvement and actual experience.

Failure is gift



You are not
STATIC



You can **DEVELOP**

FIXED

GROWTH

Motivation

Appear smart

Desire to learn

Challenges

Avoid

Seek

Obstacles

Give up

Persist

Effort

A fruitless waste

The path to mastery

Criticism

Ignore and fear

Learning
opportunity

**The
entrepreneurial
mindset
is a
growth mindset**

3

Lean

preserving *value* with *less work*

through continuous product and process improvement and the elimination of non-value added activities.



Waste is any human activity which absorbs resources but creates no value.

Eliminating waste

is the fundamental principle of lean thinking.



The 5

- Principles of the Lean Startup
-

Steve Blank, Eric Ries, Alexander Osterwalder

1

Entrepreneurs Are Everywhere

You don't have to have quit you're day job
and work in a startup ...

2 Entrepreneurship Is Management

A startup is an institution, not just a product.

It requires management...

a new kind of management specifically geared to its context.



3 Validated Learning

Startups exist not to make stuff, make money, or serve customers.

They exist to learn how to build a sustainable business.

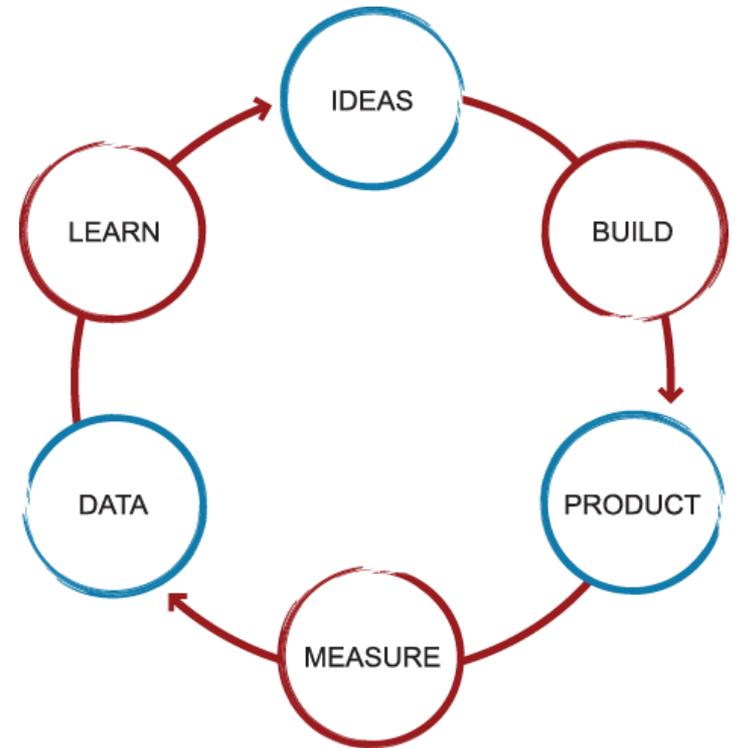
4 Innovation Accounting

To improve entrepreneurial outcomes, and to hold entrepreneurs accountable, we need to focus on boring stuff such as:

how to measure progress,
how to setup milestones,
how to prioritize work.

This requires a new kind of accounting, specific to startups.

5 Build Measure Learn



The fundamental activity of a startup is to **turn ideas into products**, **measure** how customers respond and then **learn whether to pivot or persevere**.



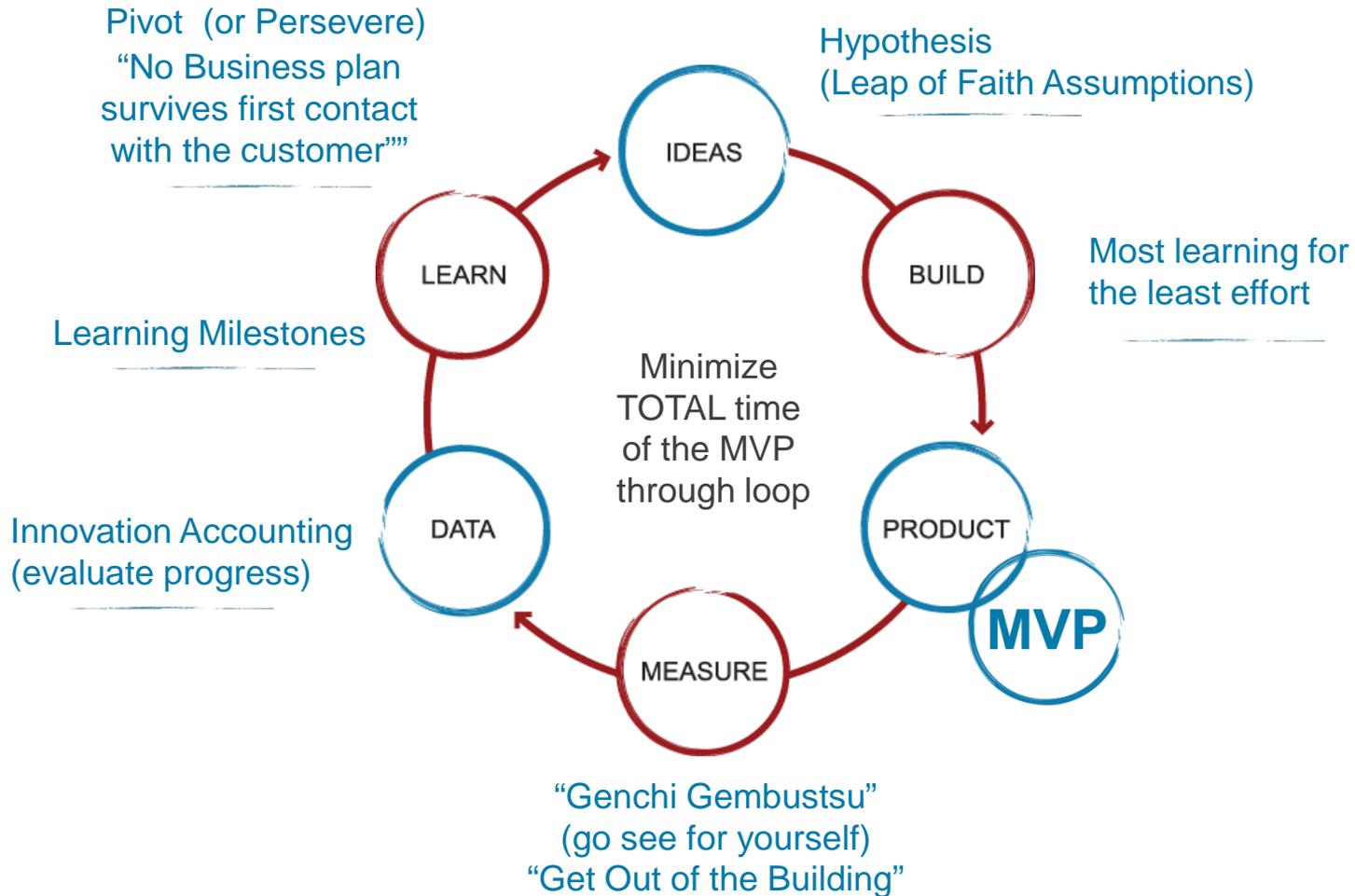
Build – Measure - Learn with a

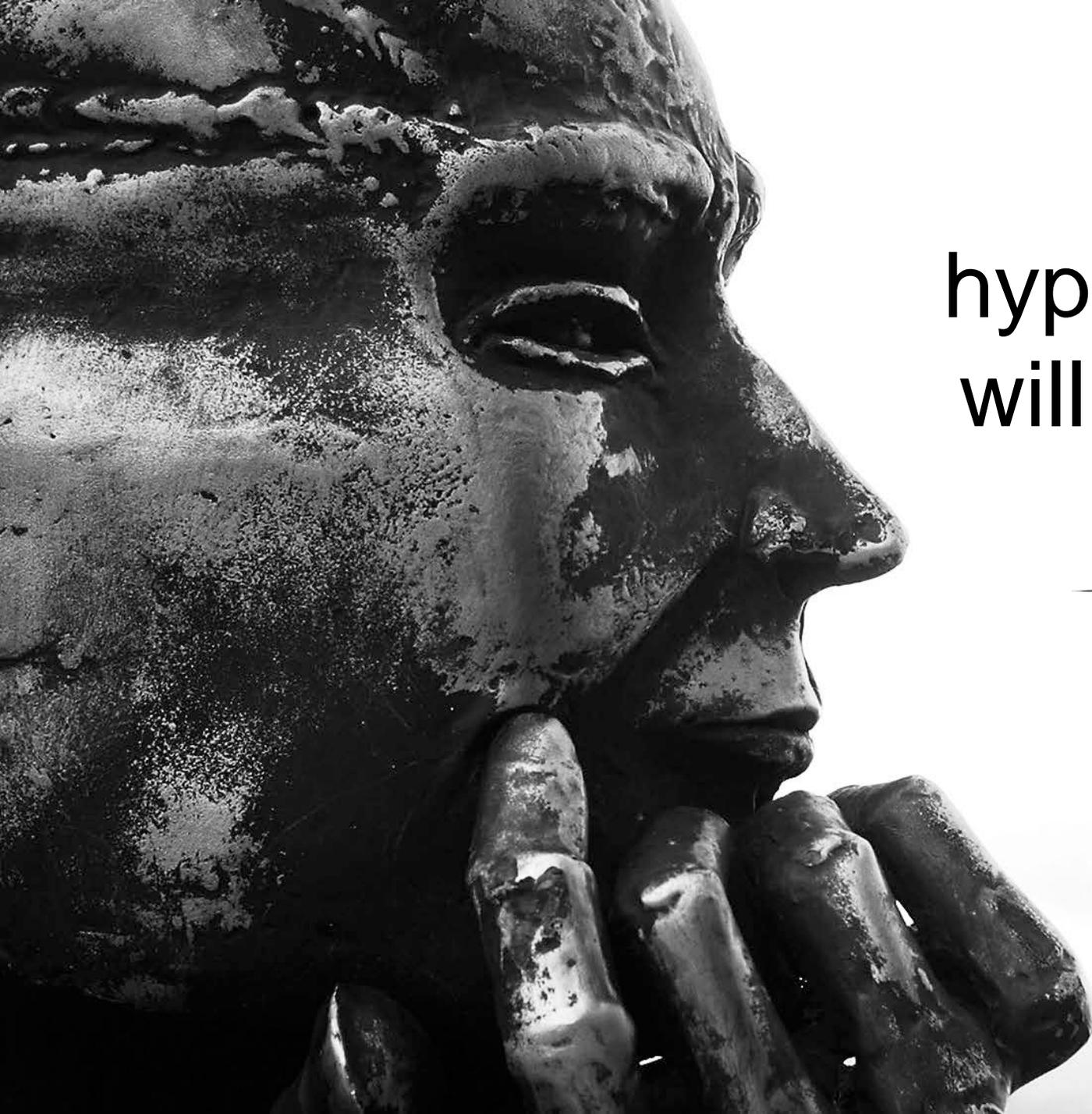
MINIMUM VIABLE PRODUCT

An **MVP** a version of a new product or service which allows your team to collect the maximum amount of **validated learning** about your hypothesis with the **least effort**.

It puts your **hypotheses to the test**.

Build. Measure. Learn.





what
hypotheses
will you be
testing?



Value Hypothesis

Whether a product or services really delivers value to customers once they are using it.

What job is it getting done for who?



Growth Hypothesis

How a customer will discover a product or service.



More Hypotheses

Customer (Arch-type)

Technical Feasibility

Production

Development

Scalability

The **minimum viable product MVP** is that version of a new product which allows a team to collect the maximum amount of **validated learning** about your hypotheses with the **least effort**.

It puts your **hypotheses to the test**.

MVP

Approaches

Smoke test

Mock-up demo

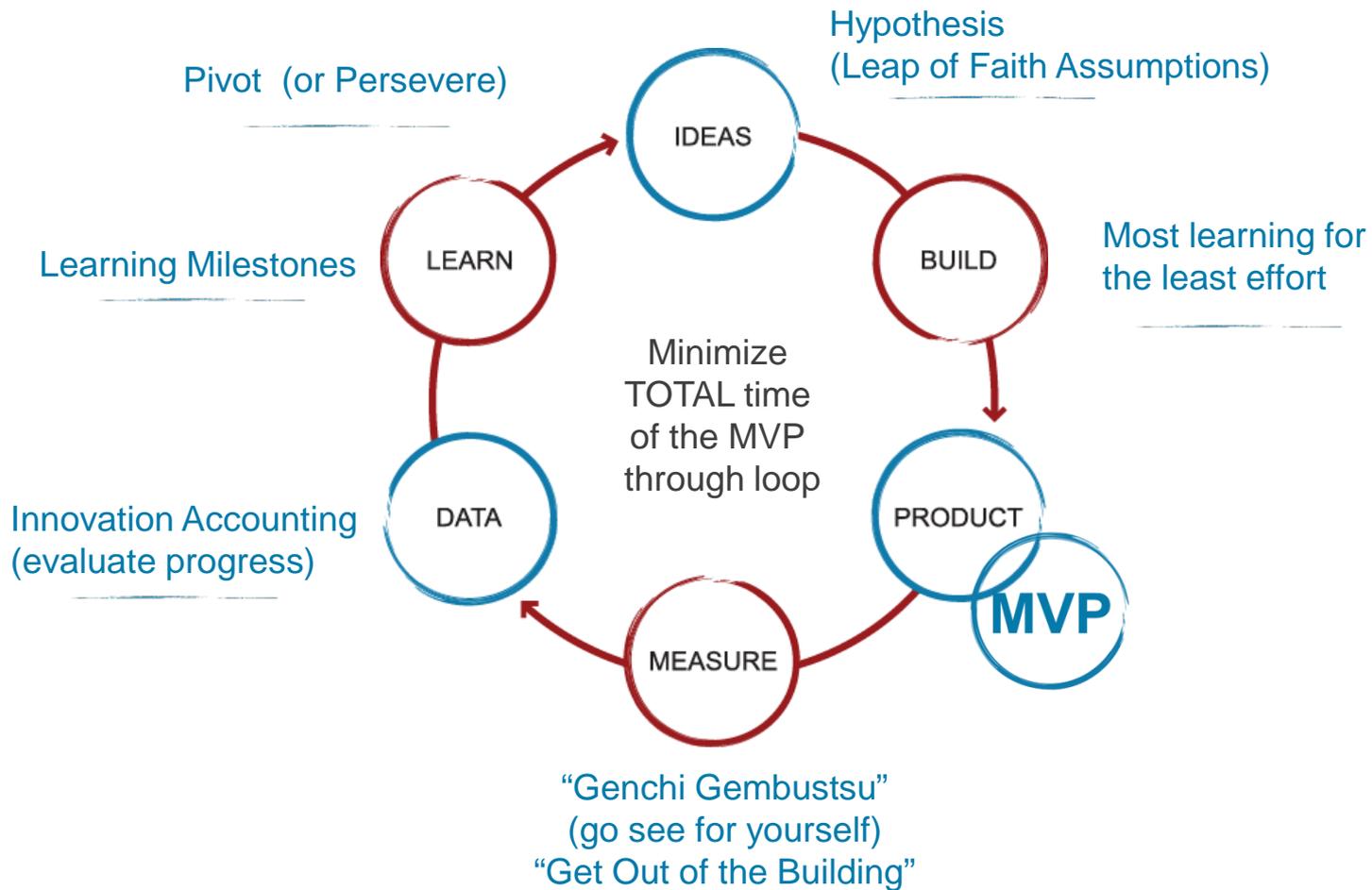
Wizard of Oz prototype (fake-it No. 1)

Concierge prototype (fake-it No. 2)

“Crude and Rude” Mash-up

Minimally functioning working prototype

Build. Measure. Learn.



Your resources are precious.

Energy

Time

Money

time

is more valuable than

money

While money can fluctuate up or down time only moves in one direction.

Personal Energy

is the most precious of all.

You only have a *finite reservoir* that you can draw from and must share with family and friends.

Risk

decreases as your
hypothesis are validated

personal energy, time,
money.

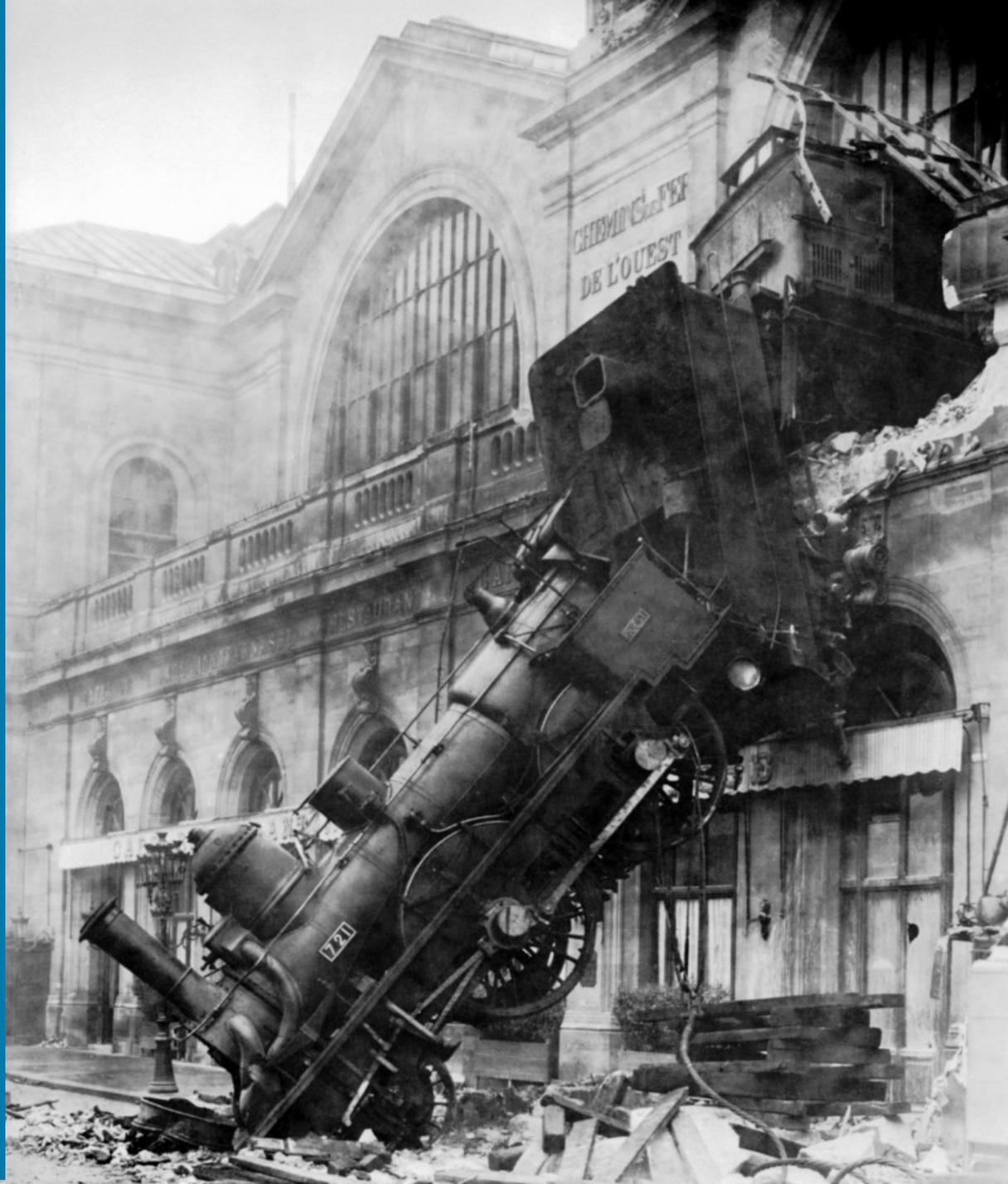


Iterate

until you find a sustainable and scalable business model before you run out of resources: personal energy, time, money.



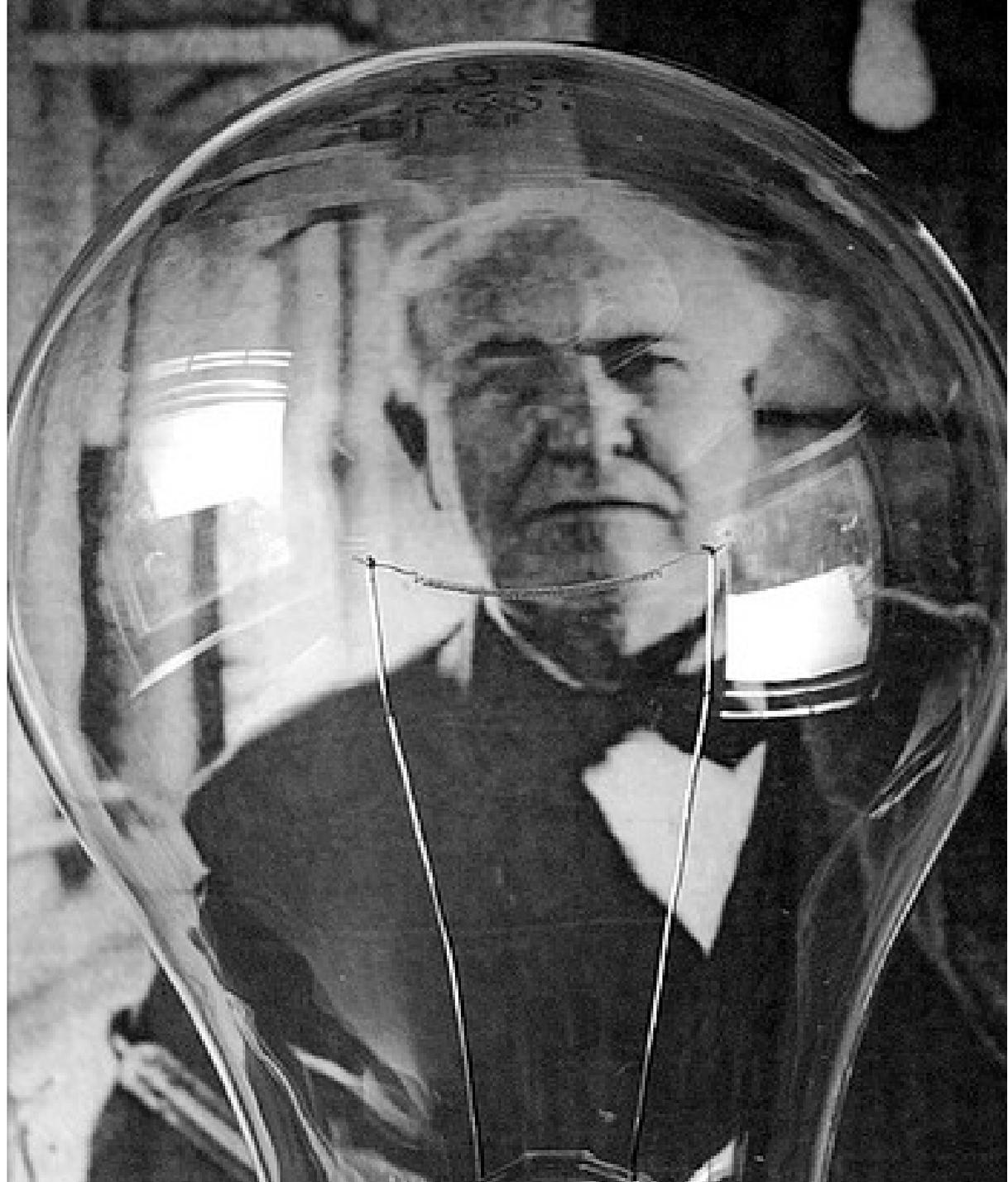
Failure





I have not failed,
I've just found
10,000 ways
that won't work.

- Thomas A. Edison



Fail faster to succeed sooner.

David Kelley, Ideo 1997



Fail early, fail noisily.

Eric Raymond, Art of Unix Programming 1999



Fail early, fail often, fail forward.

John Maxwell, Falling Forward 2007



It's not **about failing**

It's about
learning

Learn Early

Learn Often

Learn Cheap

*Validate (or invalidate)
your assumptions.*

Learn Early

Learn Often

Learn Cheap

Get out of the office.

Learn **Early**

Learn **Often**

Learn **Cheap**

Pivot or Persist.



SPEED
OF ITERATIONS
BEATS
QUALITY
OF ITERATIONS

Build it
and they will
come ...
R.I.P.



In a Nutshell...



What are your **Hypothesis**?

What do you **Measure** to **validate** your **Hypothesis**?

MVP features = Measurements

Build an **MVP** with the **least effort**

Get out of the office and **Measure**

Learn from your **Data** that you **measured**

Find a business model that works before you run out of:



Personal Energy. Time. Money.



Life can be much broader once
you discover one simple fact;
Everything around you that you
call life was made up by people
that were

**no smarter than
you**



and you can

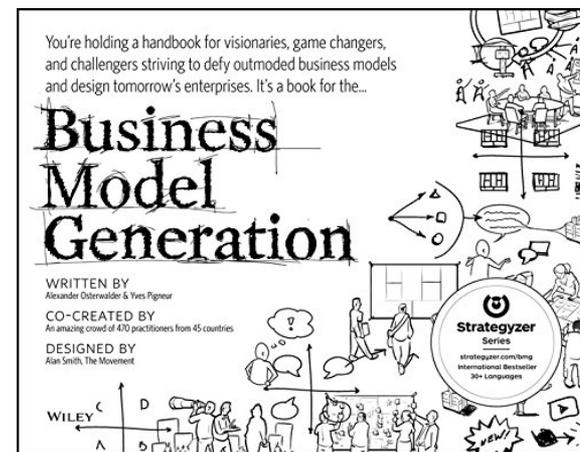
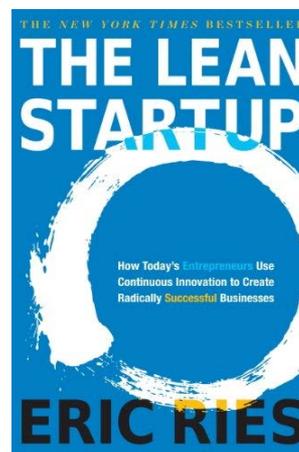
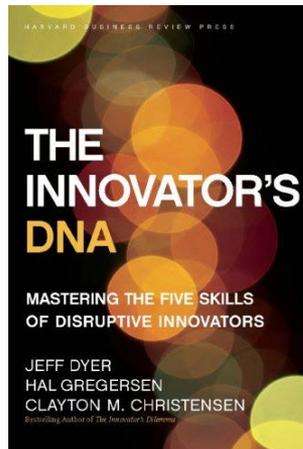
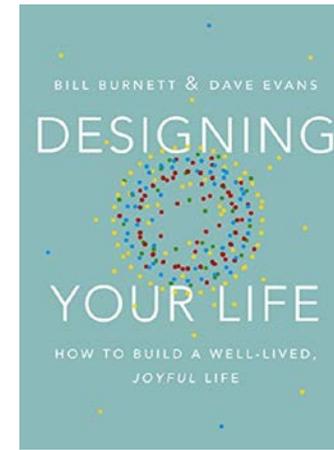
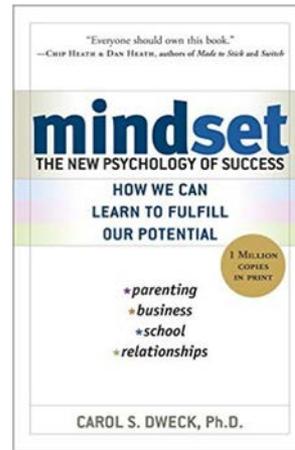
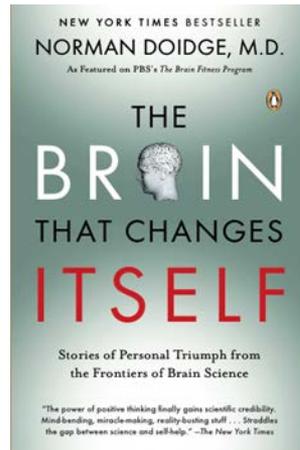
change it

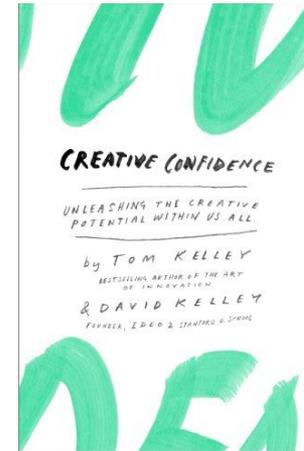
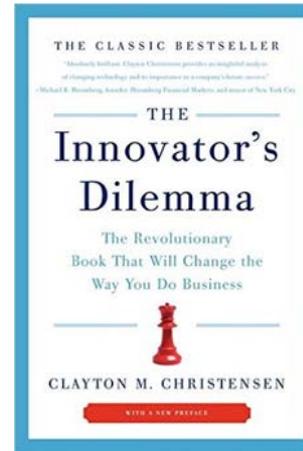
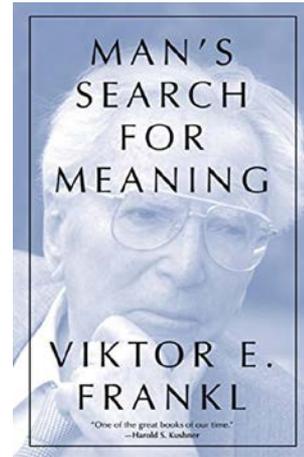
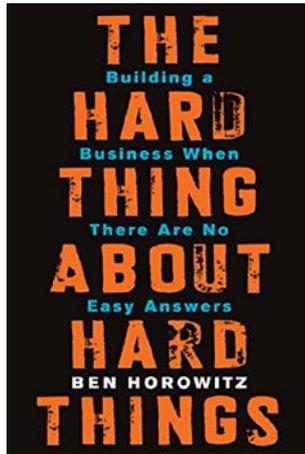
influence it

build your own things that
other people can use



Once you learn that,
**you'll
never be
the same
again**



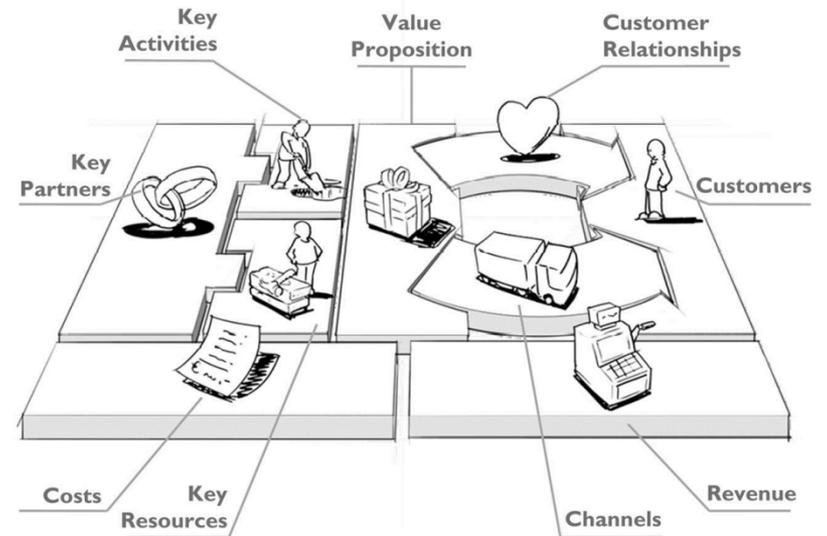


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Business Model Generation



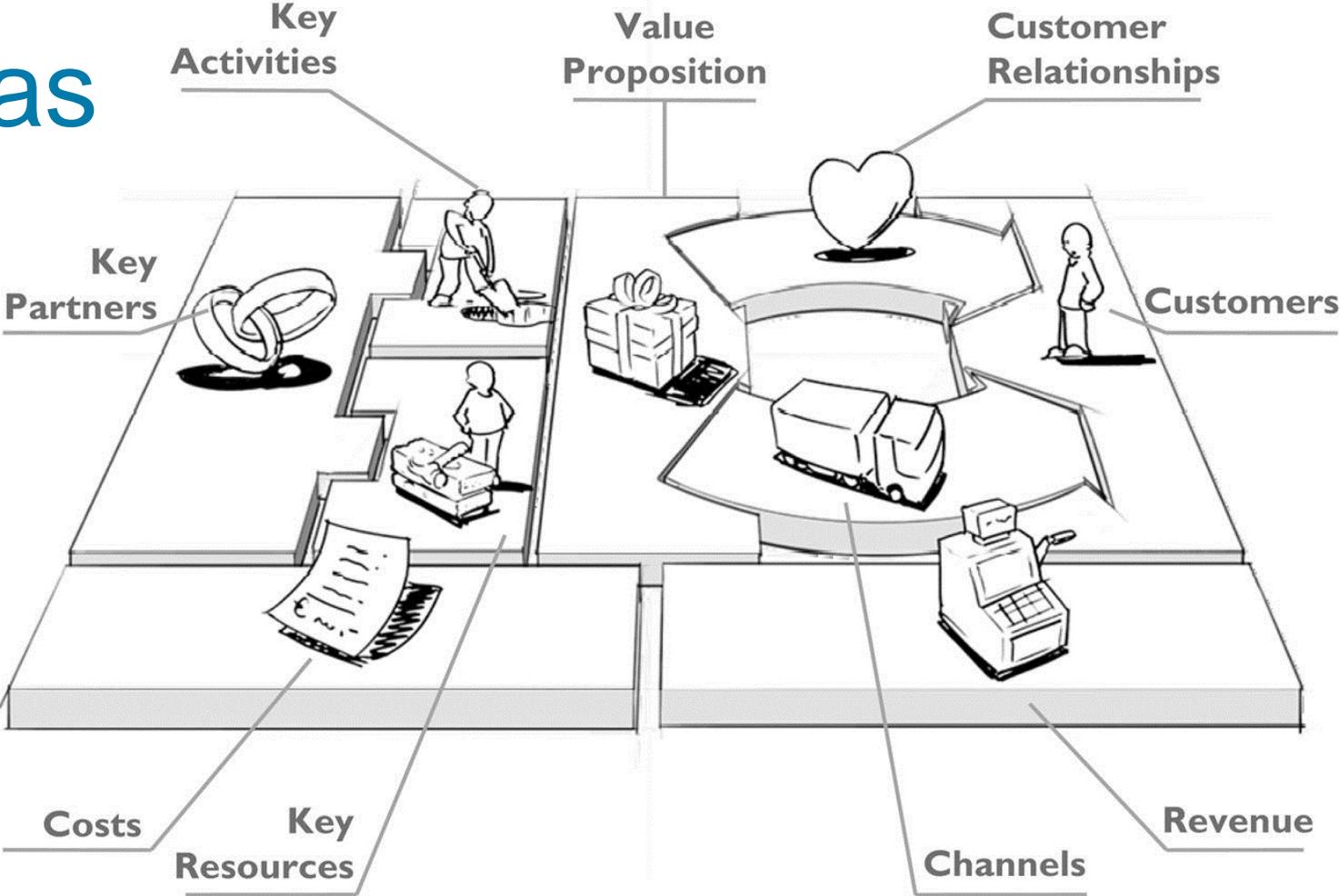


A business model
describes the rationale
of how an organization
creates, delivers, and
captures value.

The Money Earning Logic

Planning Level	Strategic	Vision, Goals & Objectives
Architectural Level	Business Model	Money Earning Logic
Implementation Level	Process	Organization & Workflow

Business Model Canvas

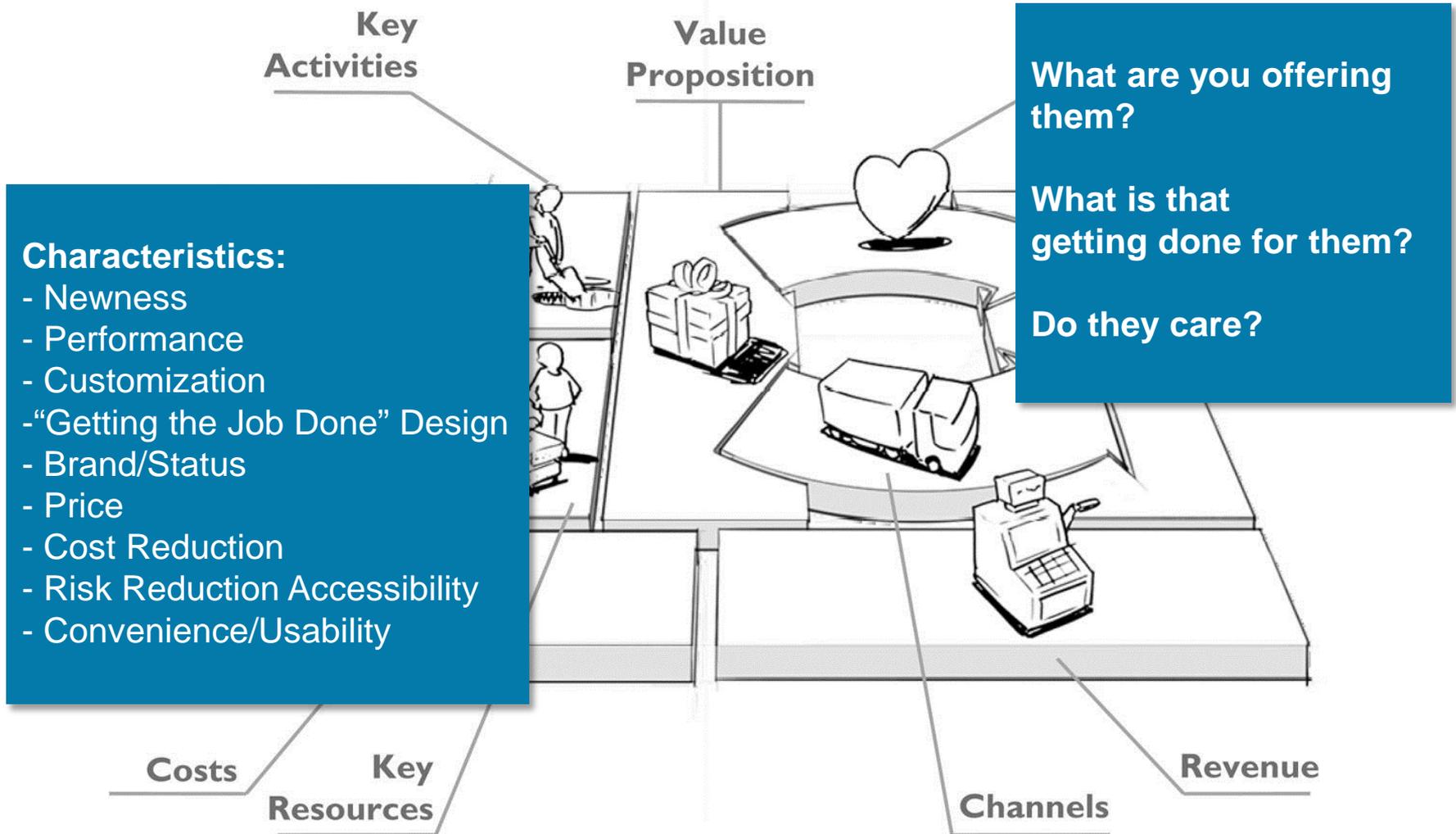


Ideation tool that distils
the essence of your
business down to **one**
page that articulates
your **hypotheses.**

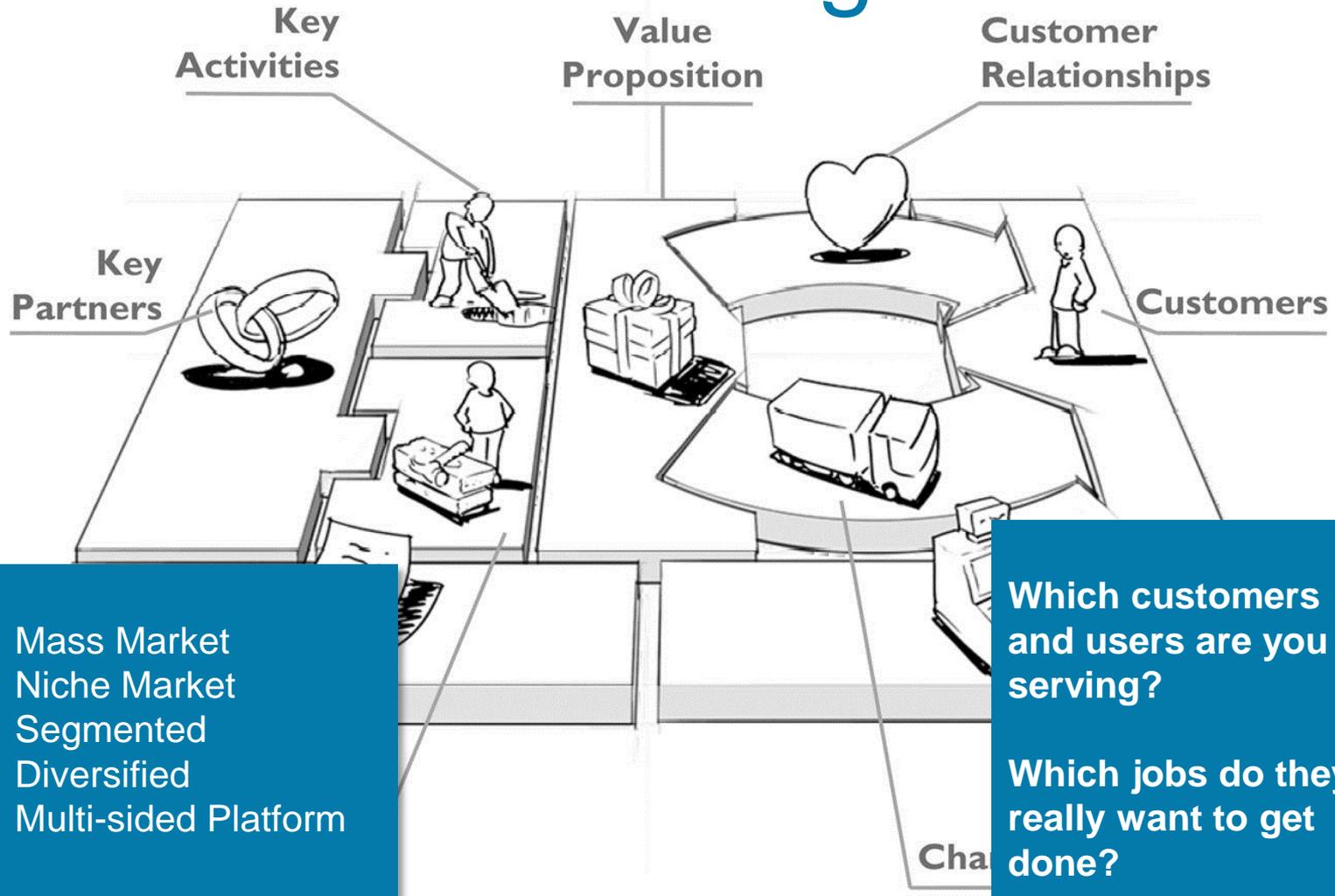
Simple
Fast
Portable
Concise
Iterative

One Page for
Everyone

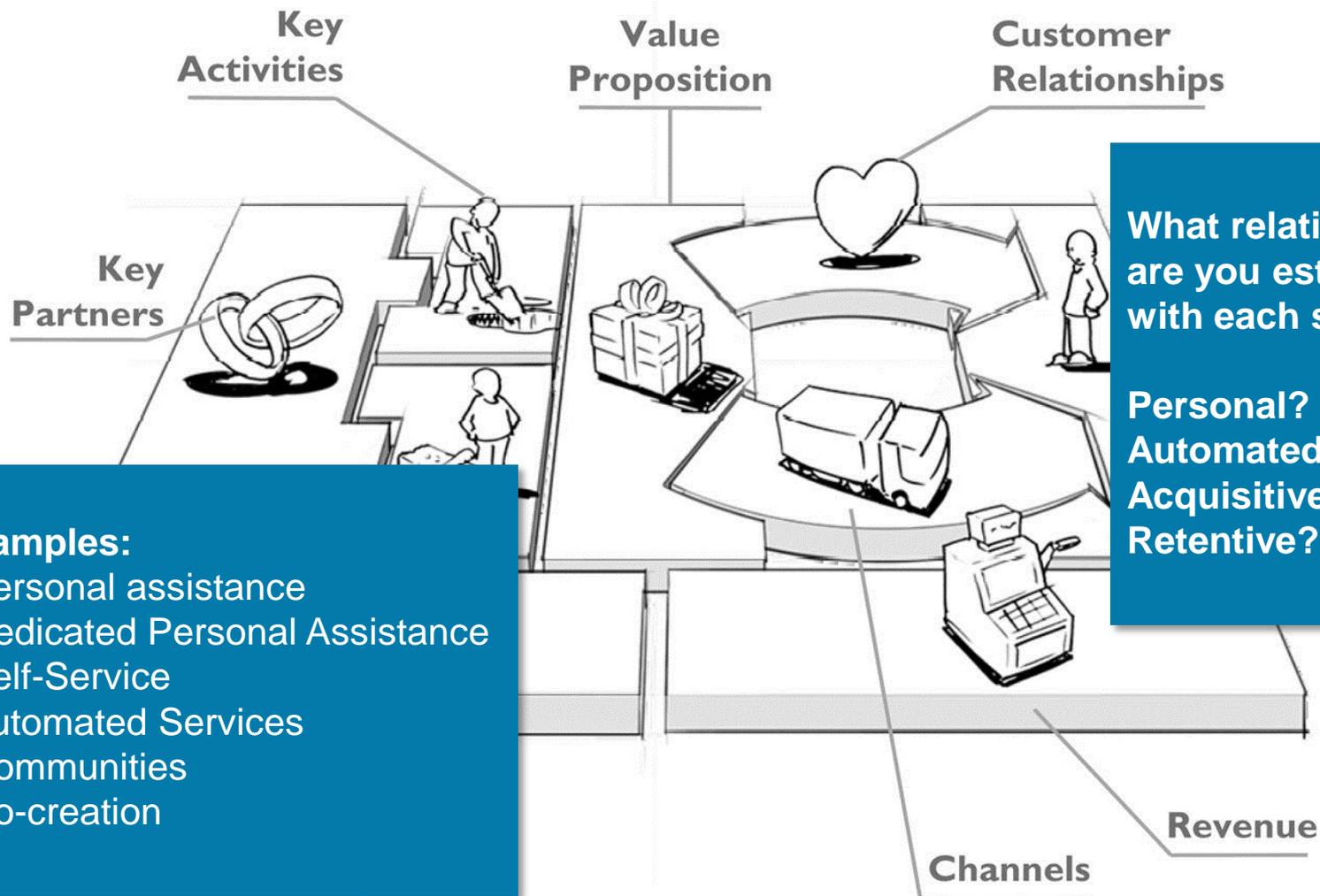
Value Proposition



Customer Segments



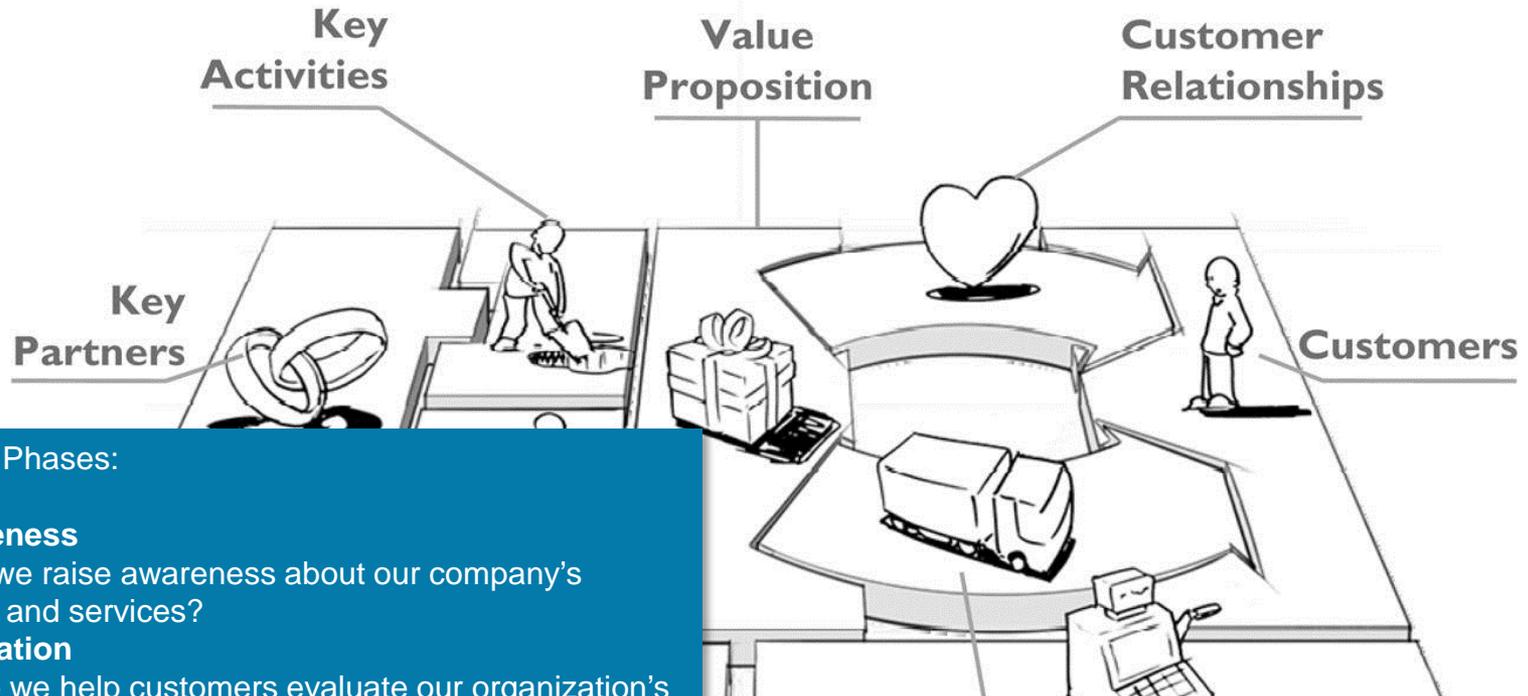
Customer Relationships



Examples:

- Personal assistance
- Dedicated Personal Assistance
- Self-Service
- Automated Services
- Communities
- Co-creation

Channels



Channel Phases:

1. Awareness

How do we raise awareness about our company's products and services?

2. Evaluation

How do we help customers evaluate our organization's Value Proposition?

3. Purchase

How do we allow customers to purchase specific products and services?

4. Delivery

How do we deliver a Value Proposition to customers?

5. After Sales

How do we provide post-purchase customer support?

how does each customer segment want to be reached?

through which interaction points?

Revenue Streams

**Key
Activities**

**Value
Proposition**

Examples:

- Asset Sale
- Usage Fee
- Subscription Fees
- Lending/Renting/Leasing
- Licensing
- Brokerage Fees
- Advertising

Fixed Pricing:

- List Price
- Product Feature Dependent
- Customer Segment Dependent
- Volume Dependent

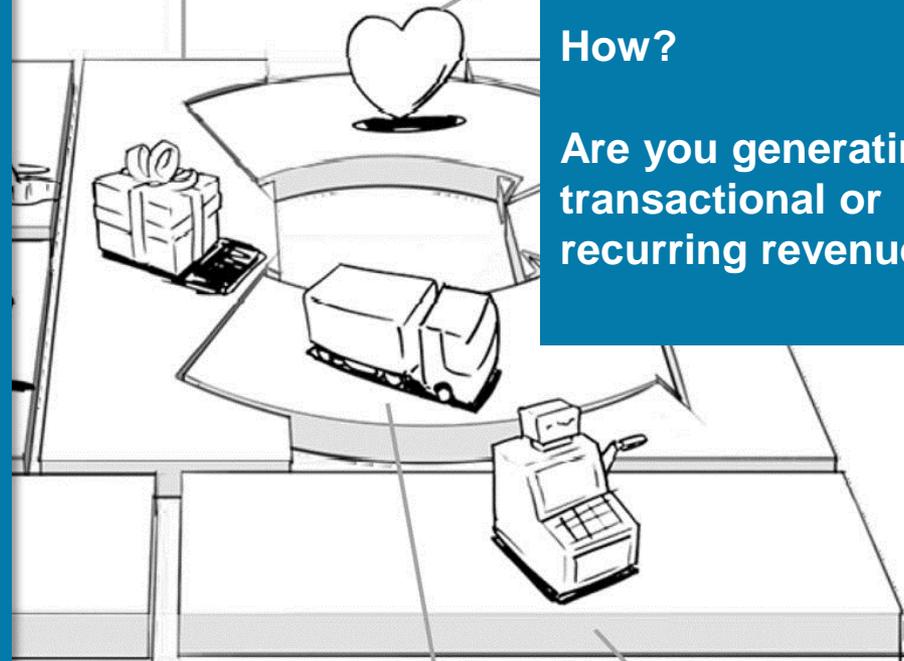
Dynamic Pricing:

- Negotiation
- Yield Management
- Real-time Market

What are customers really willing to pay for?

How?

Are you generating transactional or recurring revenues?



Channels

Revenue

Key Activities

Key Activities

Value Proposition

Customer Relationships

Customers

Revenue

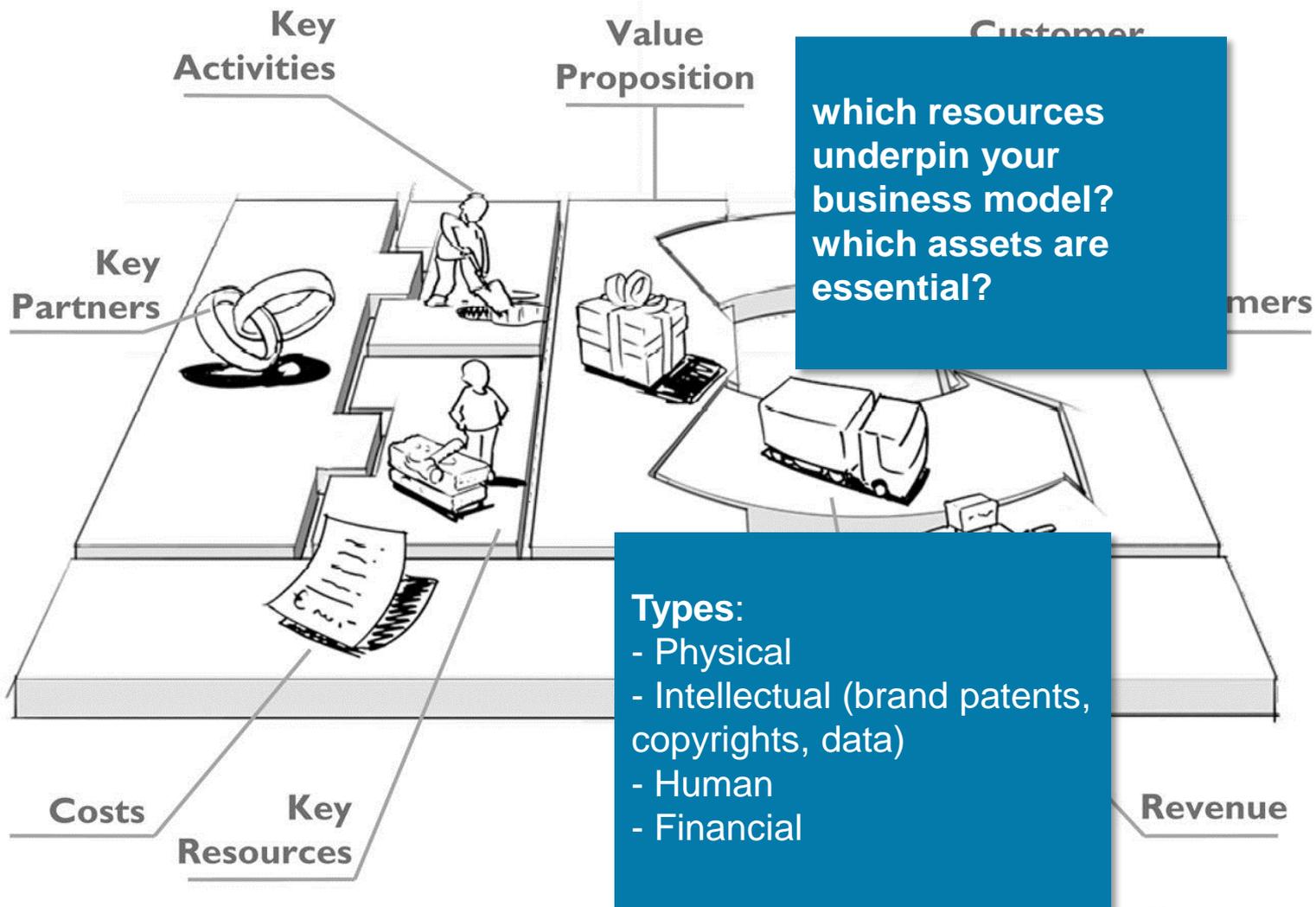
Channels

which activities do you need to perform well in your business model?
what is crucial?

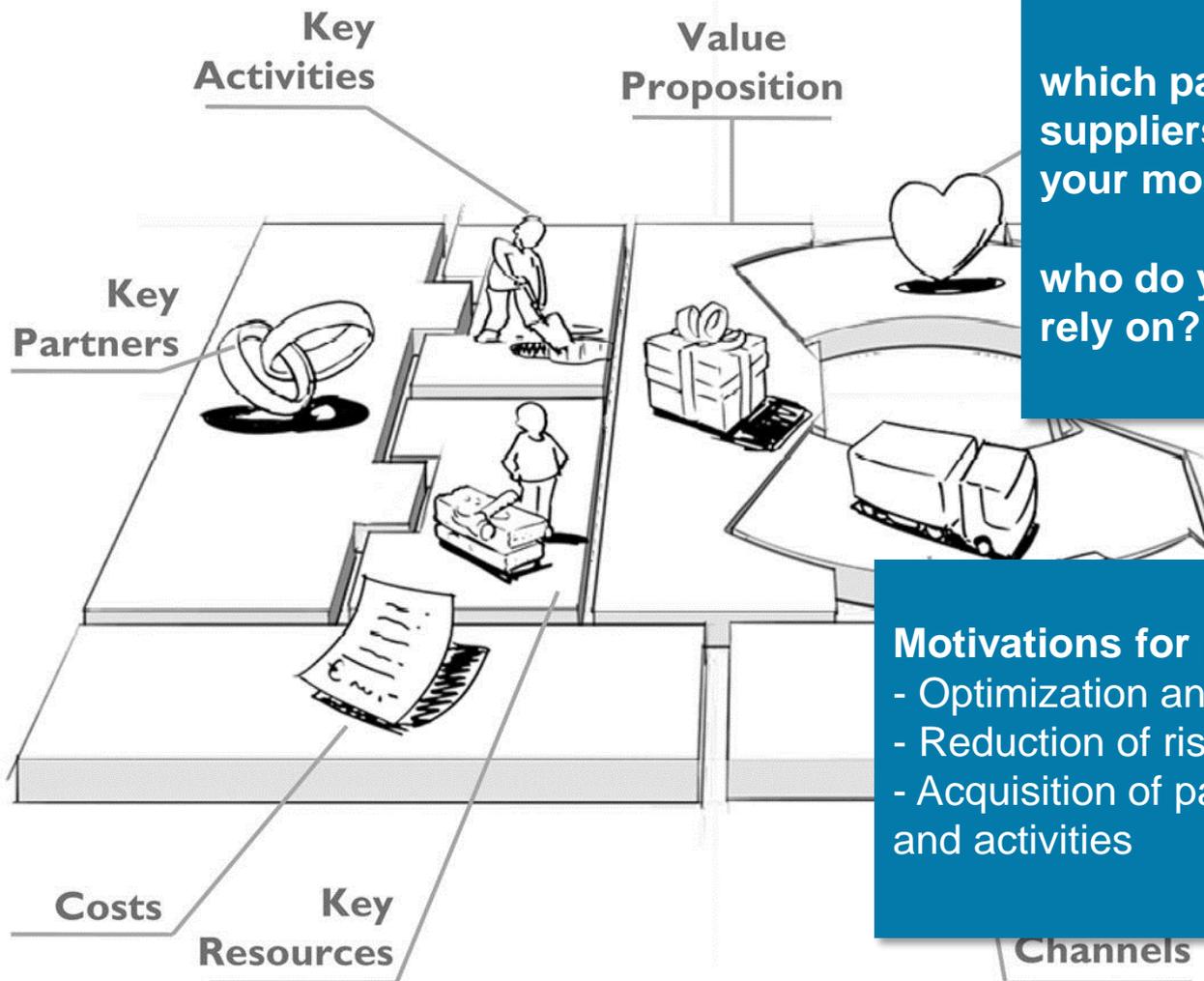
Categories:

- Production
- Problem Solving
- Platform/Network

Key Resources



Key Partners



which partners and suppliers leverage your model?

who do you need to rely on?

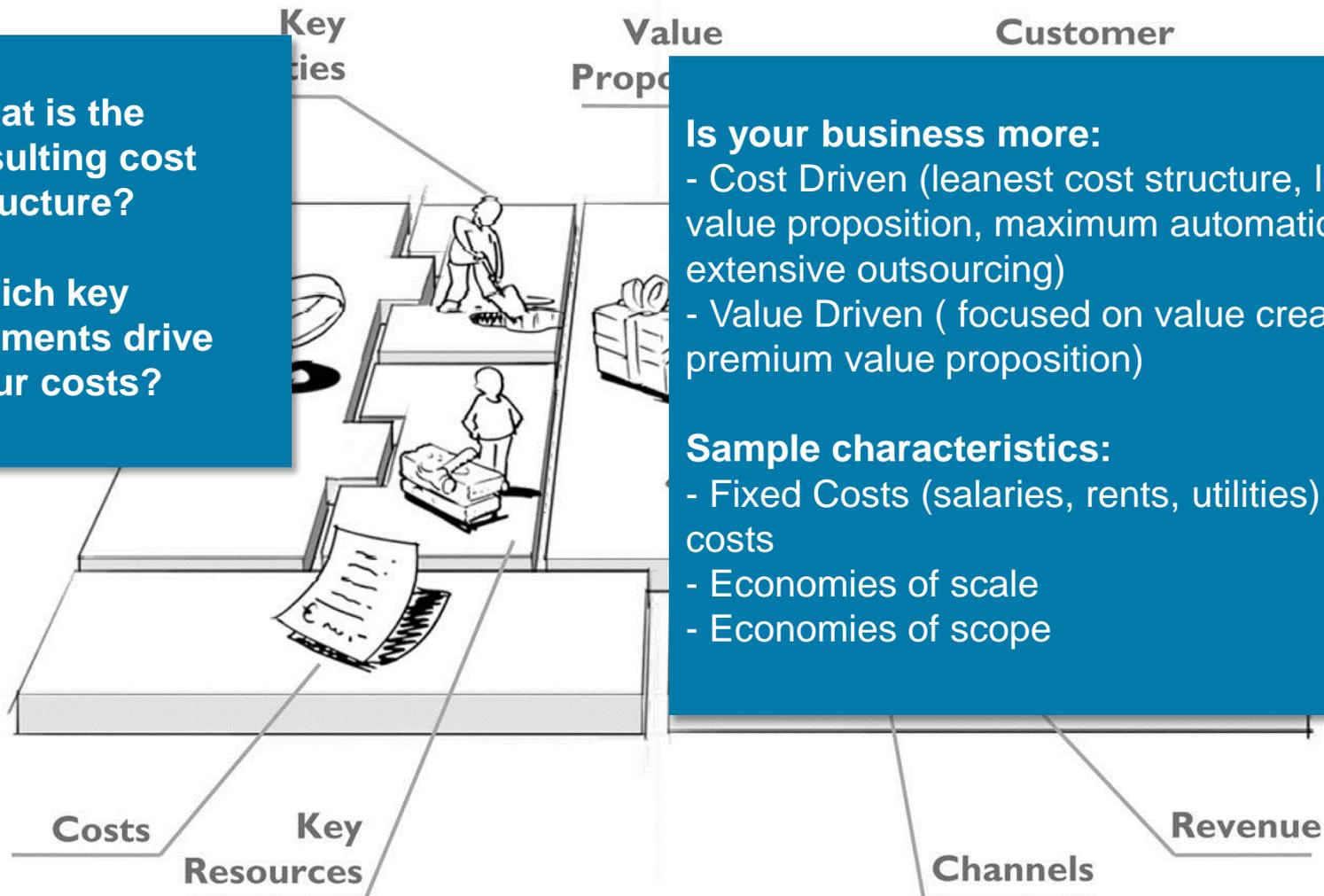
Motivations for partnerships:

- Optimization and economy
- Reduction of risk and uncertainty
- Acquisition of particular resources and activities

Cost Structures

what is the resulting cost structure?

which key elements drive your costs?



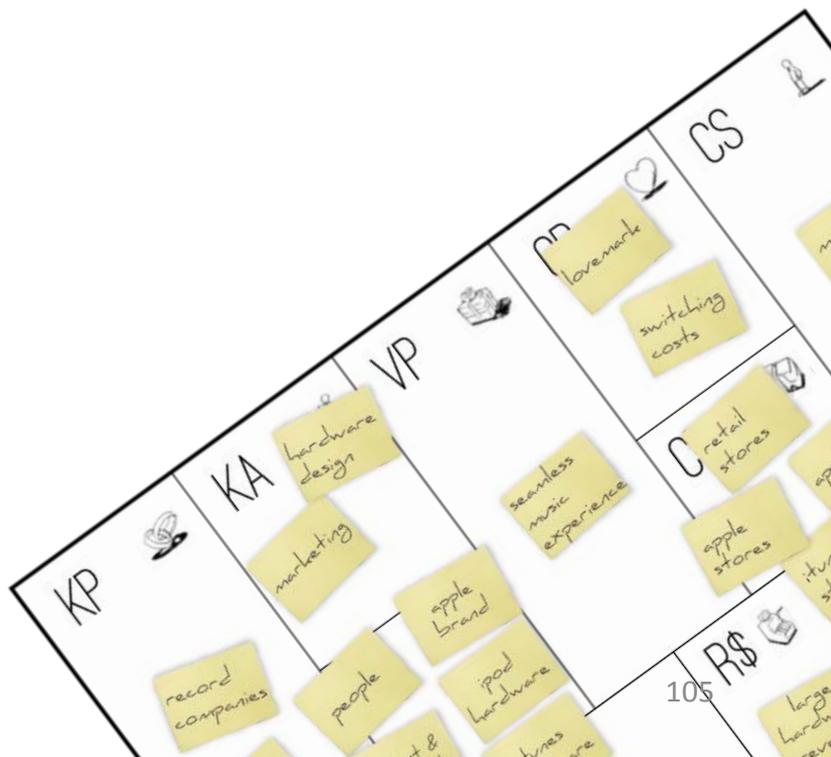
Is your business more:

- Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
- Value Driven (focused on value creation, premium value proposition)

Sample characteristics:

- Fixed Costs (salaries, rents, utilities) Variable costs
- Economies of scale
- Economies of scope

<p>Problem</p> <p>No easy way to share files over internet</p> <p>No easy way to synchronize files between computers</p> <p>Problem with sharing large files over internet</p> <p>Existing alternatives:</p> <ul style="list-style-type: none"> - Google Docs - Intranet systems - FTP 	<p>Solution</p> <p>Application working in background tracking changes in shared directory (problem no. 1 and 2)</p> <p>Local file directory where people can upload files and share them by using public link (problem no.3)</p>	<p>Unique Value Proposition</p> <p>Dropbox - Throw away your USB drive</p>	<p>Unfair Advantage</p> <p>Technical knowledge (founder was from MIT)</p>	<p>Customer Segments</p> <p>Small and medium companies without intranet</p> <p>Individuals with over one computer at home</p> <p>Early adopters: Google Doc Users</p>
<p>Cost Structure</p> <p>Hosting (1000 USD/1000 users)</p> <p>Salary (CEO + DEV - 10k USD/month)</p> <p>Break point: 700 paid users</p>	<p>Key Metrics</p> <p>Amount of shared data</p> <p>Number of send invites</p>		<p>Channels</p>	





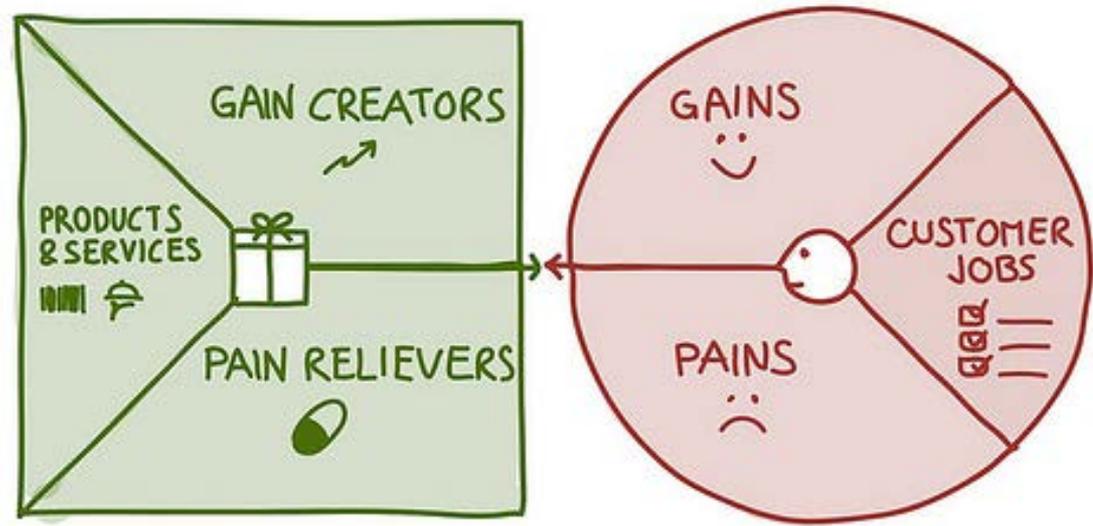


Keep it
Evergreen



Share

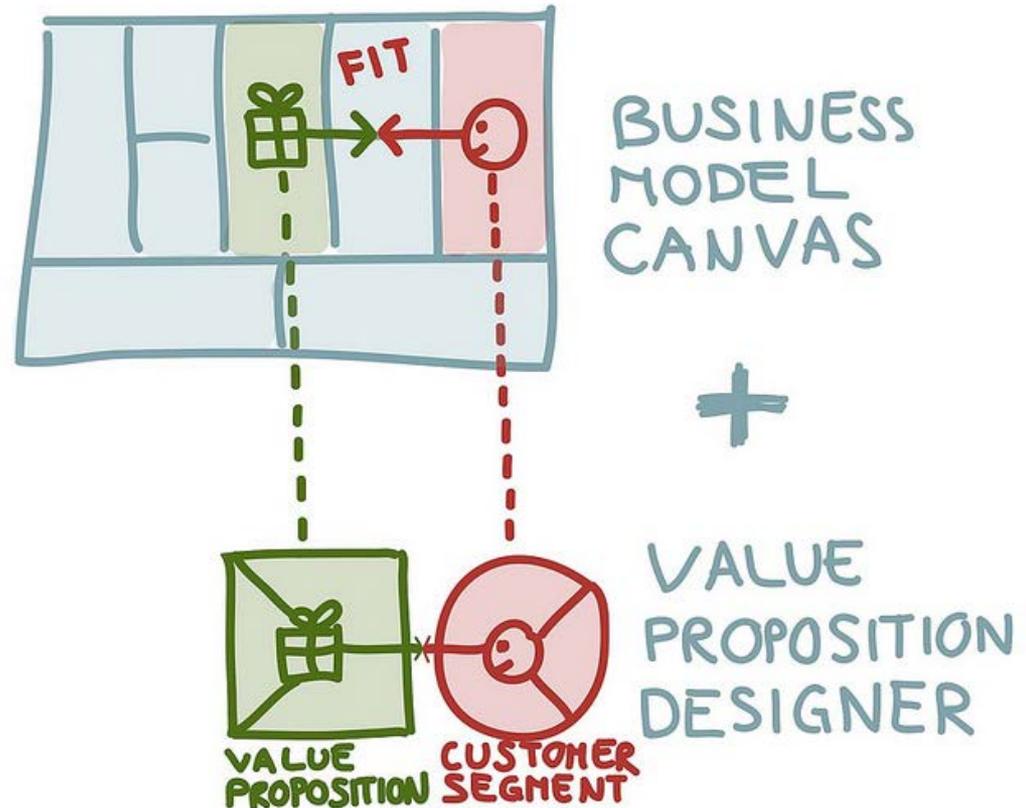
Value Proposition Canvas



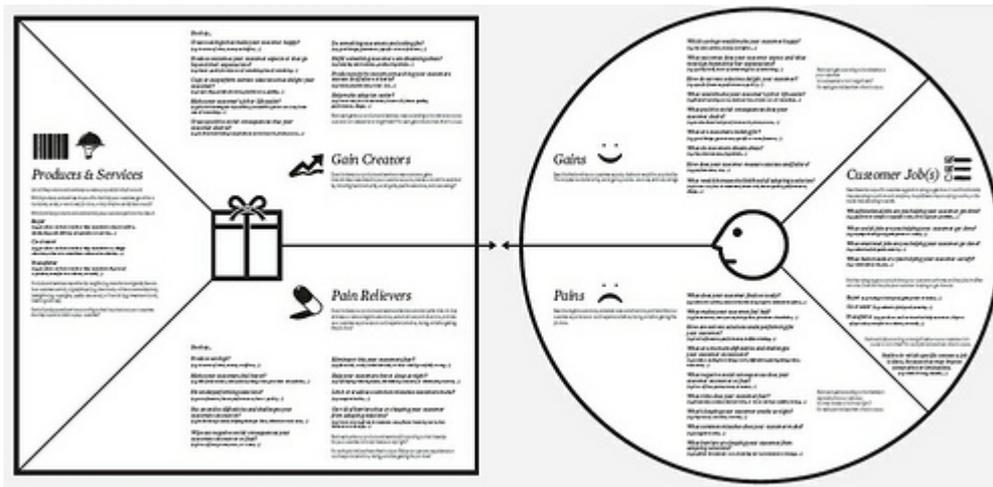
Value Proposition Canvas

The Canvas with its 9 building blocks focuses on the big picture.

The Value Proposition Designer Canvas zooms in on two of those building blocks, the Value Proposition and the Customer Segment



Describe them in more detail and analyze the “fit” between them.

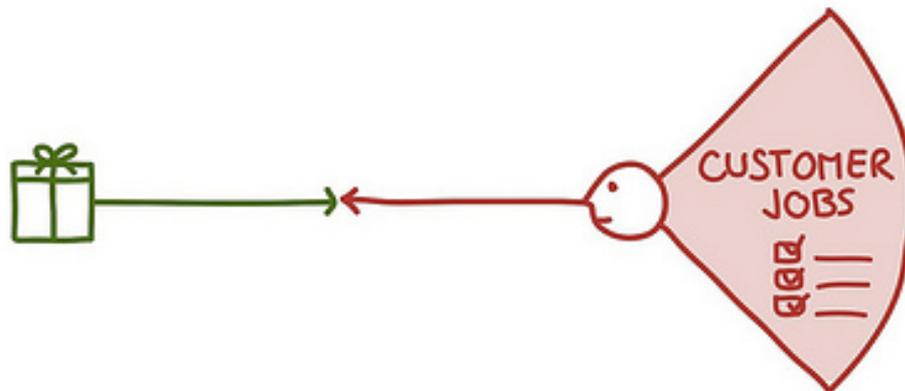


Companies need to get both right, the “fit” and the business model

Customer Jobs

Sketching out a customer profile by describing what the customers you are targeting are trying to get done.

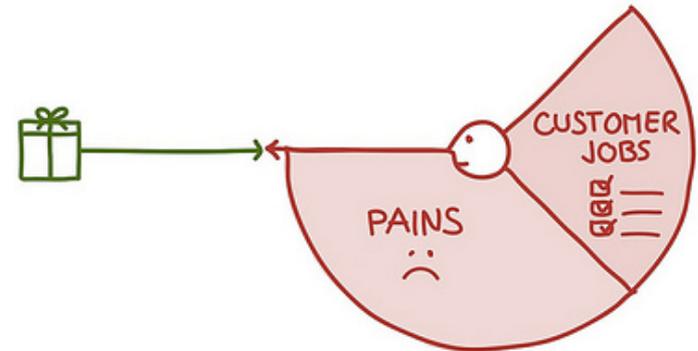
- the tasks they are trying to perform and complete
- the problems they are trying to solve
- or the needs they are trying to satisfy.
- What functional jobs is your customer trying get done? (e.g. perform or complete a specific task, solve a specific problem, ...)
- What social jobs is your customer trying to get done? (e.g. trying to look good, gain power or status, ...)
- What emotional jobs is your customer trying get done? (e.g. esthetics, feel good, security, ...)
- What basic needs is your customer trying to satisfy? (e.g. communication, sex, ...)



Customer Pains

Describe negative emotions, undesired costs and situations, and risks that your customer experiences or could experience before, during, and after getting the job done.

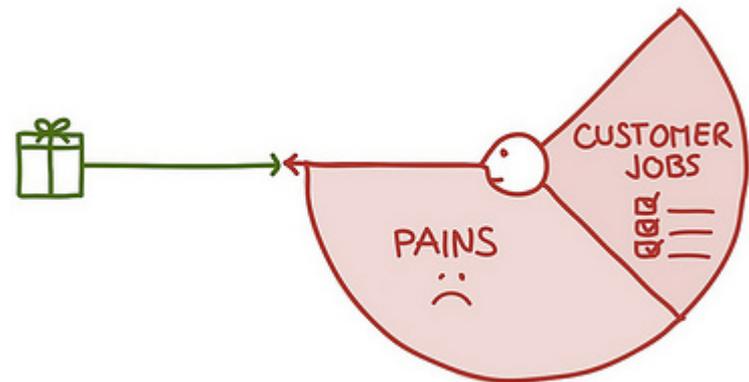
- What does your customer find too costly? (e.g. takes a lot of time, costs too much money, requires substantial efforts, ...)
- What makes your customer feel bad?(e.g. frustrations, annoyances, things that give them a headache, ...)
- How are current solutions underperforming for your customer? (e.g. lack of features, performance, malfunctioning, ...)
- What are the main difficulties and challenges your customer encounters? (e.g. understanding how things work, difficulties getting things done, resistance, ...)
- What negative social consequences does your customer encounter or fear? (e.g. loss of face, power, trust, or status, ...)
- What risks does your customer fear? (e.g. financial, social, technical risks, or what could go awfully wrong, ...)
- What's keeping your customer awake at night? (e.g. big issues, concerns, worries, ...)
- What common mistakes does your customer make? (e.g. usage mistakes, ...)
- What barriers are keeping your customer from adopting solutions? (e.g. upfront investment costs, learning curve, resistance to change, ...)



Rank each pain

according to the **intensity** it represents for your customer - Is it very intense or is it very light?

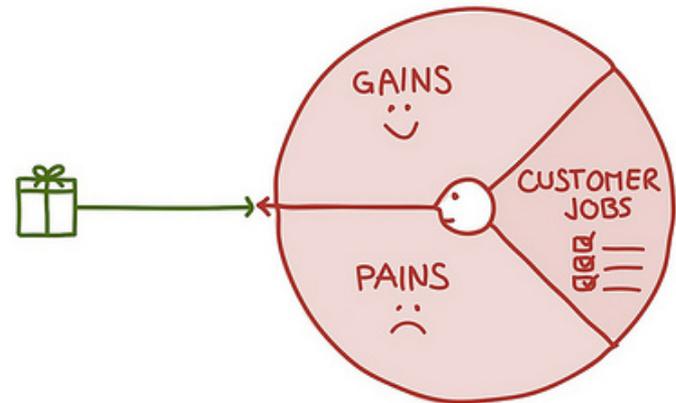
For each pain indicate **how often it occurs.**



Customer Gains

Now describe the benefits your customer expects, desires or would be surprised by. This includes functional utility, social gains, positive emotions, and cost savings.

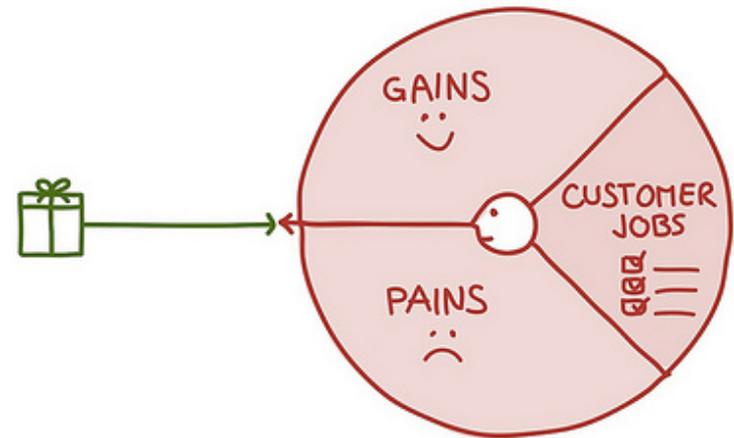
- Which savings would make your customer happy? (e.g. in terms of time, money and effort, ...)
- What outcomes does your customer expect and what would go beyond his/her expectations? (e.g. quality level, more of something, less of something, ...)
- How do current solutions delight your customer? (e.g. specific features, performance, quality, ...)
- What would make your customer's job or life easier? (e.g. flatter learning curve, more services, lower cost of ownership, ...)
- What positive social consequences does your customer desire? (e.g. makes them look good, increase in power, status, ...)
- What are customers looking for? (e.g. good design, guarantees, specific or more features, ...)
- What do customers dream about? (e.g. big achievements, big reliefs, ...)
- How does your customer measure success and failure? (e.g. performance, cost, ...)
- What would increase the likelihood of adopting a solution? (e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)



Rank each gain

according to its **relevance** to your customer. Is it substantial or is it insignificant?

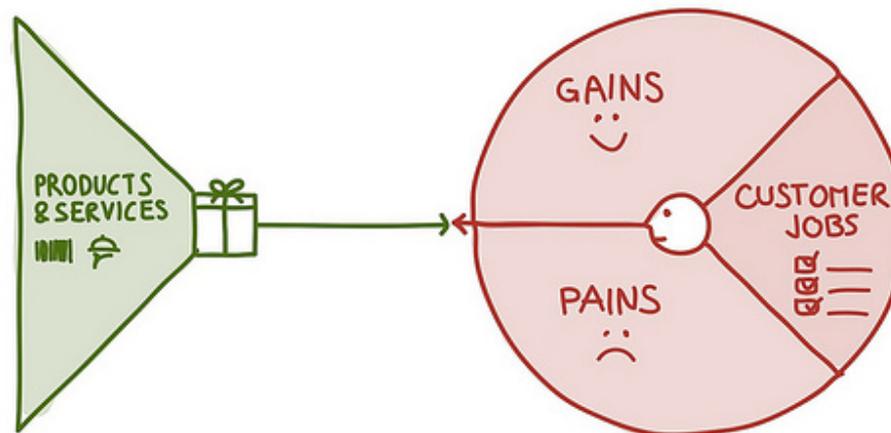
For each gain indicate **how often it occurs**.



Products & Services

List all the products and services your value proposition is built around.

- Which products and services you offer that help your customer get either a functional, social, or emotional job done, or help him/her satisfy basic needs?
- products and services may either be”
 - tangible (e.g. manufactured goods, face-to-face customer service), digital/virtual (e.g. downloads, online recommendations)
 - intangible (e.g. copyrights, quality assurance), or financial (e.g. investment funds, financing services).
- Rank all products and services according to their importance to your customer.
- Are they crucial or trivial to your customer?

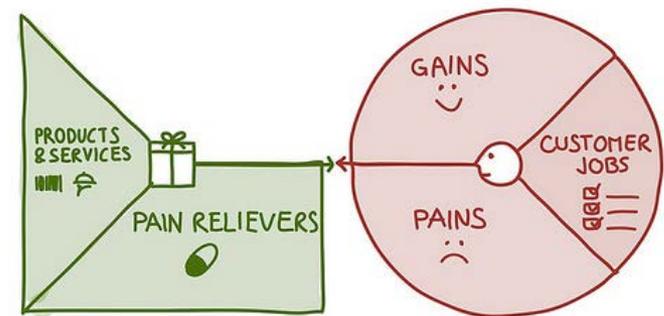


Pain Relievers

Outline how your products and services create value. Describe how your products and services alleviate customer pains.

How do they eliminate or reduce negative emotions, undesired costs and situations, and risks your customer experiences or could experience before, during, and after getting the job done?

- produce savings? (e.g. in terms of time, money, or efforts, ...)
- make your customers feel better? (e.g. kills frustrations, annoyances, things that give them a headache, ...)
- fix underperforming solutions? (e.g. new features, better performance, better quality, ...)
- put an end to difficulties and challenges your customers encounter? (e.g. make things easier, helping them get done, eliminate resistance, ...)
- wipe out negative social consequences your customers encounter or fear? (e.g. loss of face, power, trust, or status, ...)
- eliminate risks your customers fear? (e.g. financial, social, technical risks, or what could go awfully wrong, ...)
- help your customers better sleep at night? (e.g. by helping with big issues, diminishing concerns, or eliminating worries, ...)
- limit or eradicate common mistakes customers make? (e.g. usage mistakes, ...)
- get rid of barriers that are keeping your customer from adopting solutions? (e.g. lower or no upfront investment costs, flatter learning curve, less resistance to change, ...)



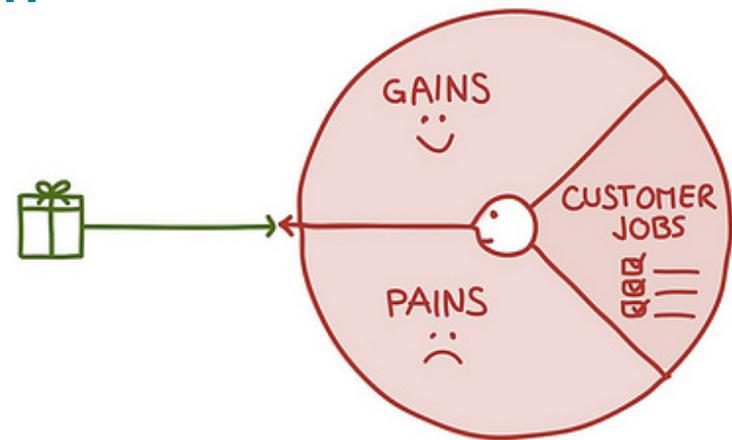
Rank each pain

your products and services
kill according to their

intensity for your customer.

Is it very intense or very
light?

For each pain indicate how
often it occurs.

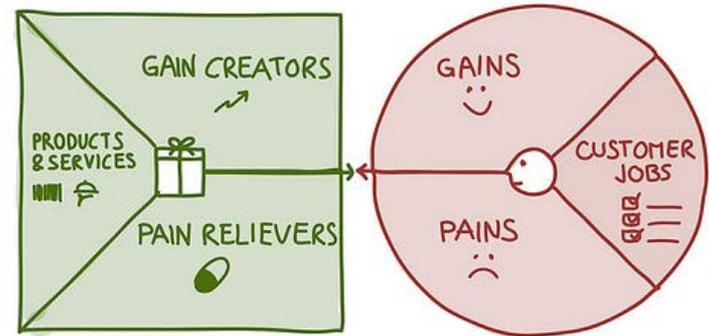


Gain Creators

Describe how your products and services create customer gains.

How do they create benefits your customer expects, desires or would be surprised by, including functional utility, social gains, positive emotions, and cost savings?

- create savings that make your customer happy? (e.g. in terms of time, money and effort, ...)
- produce outcomes your customer expects or that go beyond their expectations? (e.g. better quality level, more of something, less of something, ...)
- copy or outperform current solutions that delight your customer? (e.g. regarding specific features, performance, quality, ...)
- make your customer's job or life easier? (e.g. flatter learning curve, usability, accessibility, more services, lower cost of ownership, ...)
- create positive social consequences that your customer desires? (e.g. makes them look good, produces an increase in power, status, ...)
- do something customers are looking for? (e.g. good design, guarantees, specific or more features, ...)
- fulfill something customers are dreaming about? (e.g. help big achievements, produce big reliefs, ...)
- produce positive outcomes matching your customers success and failure criteria? (e.g. better performance, lower cost, ...)
- help make adoption easier? (e.g. lower cost, less investments, lower risk, better quality, performance, design, ...)

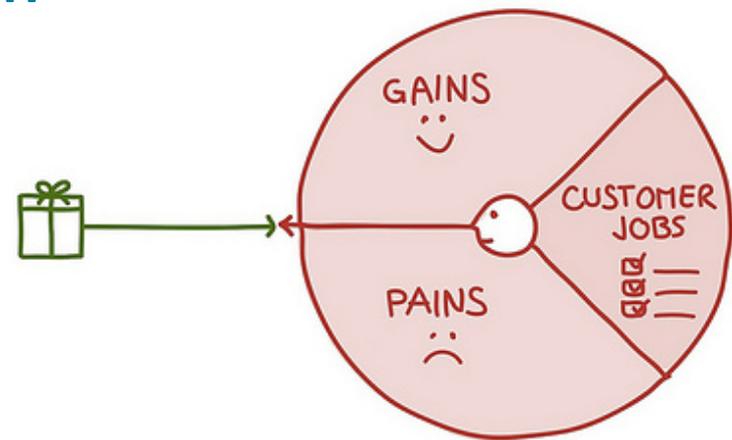


Rank each gain

your products and services create according to its relevance to your customer. Is it substantial or insignificant?

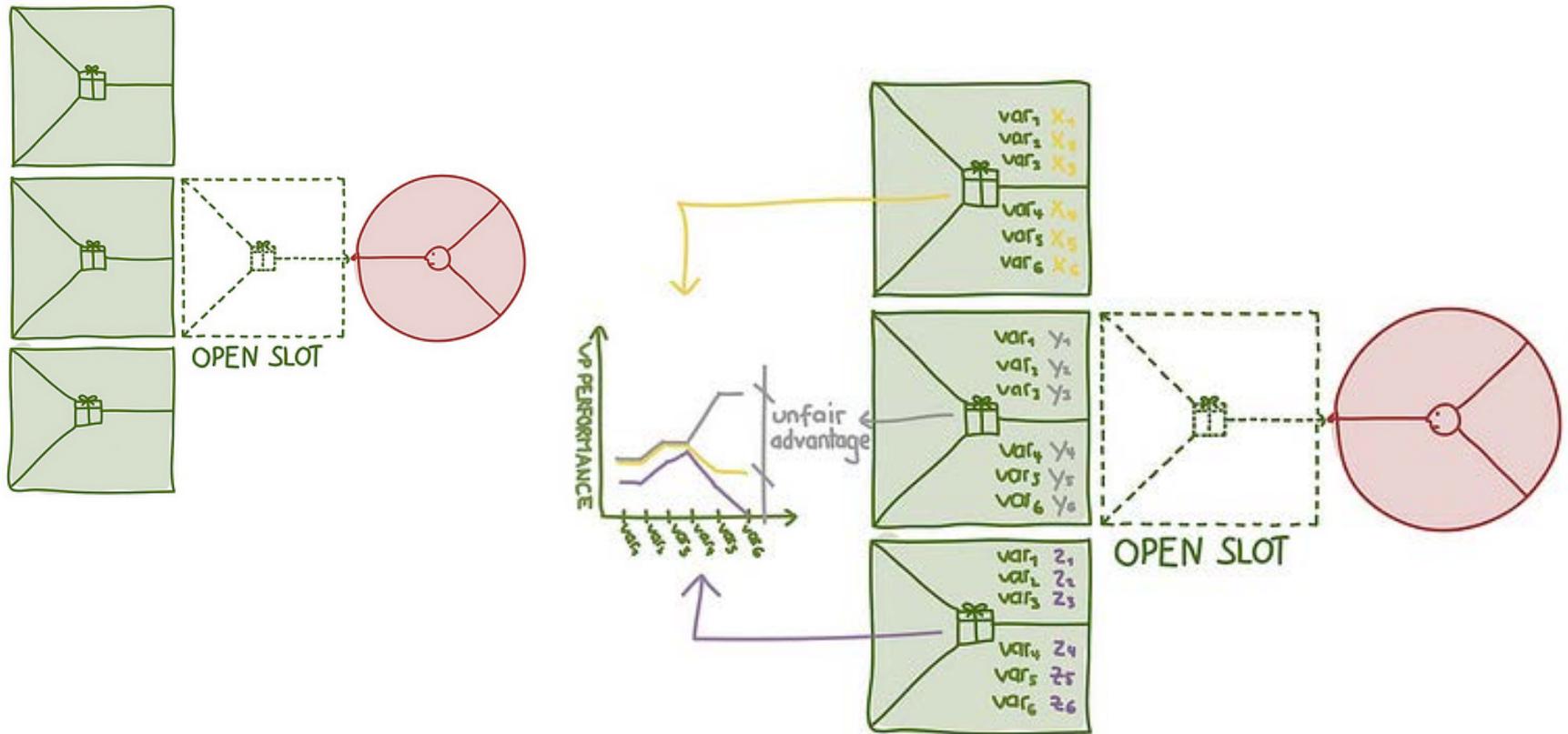
For each gain indicate how often it occurs.

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Competing for Customers

Most Value Propositions compete with others for the same Customer Segment - an "open slot" that will be filled by the company with the best fit.



Exercise:

Apple iPod/iTunes Business Model

Split up in teams of 4-5.

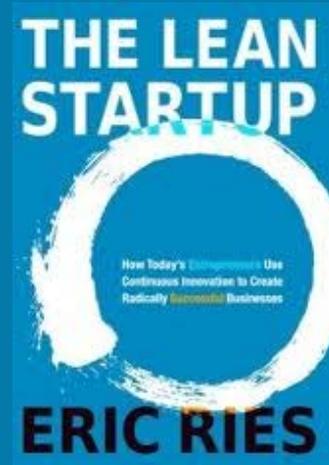
Sketch out the business model.

Each team must present a least one building block.

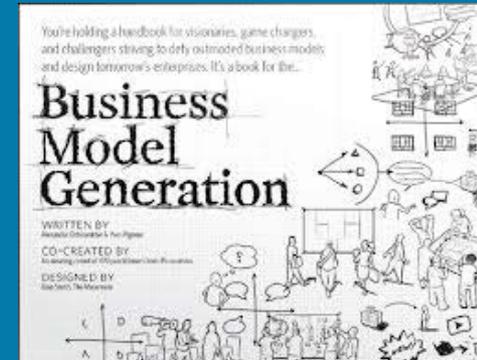


More

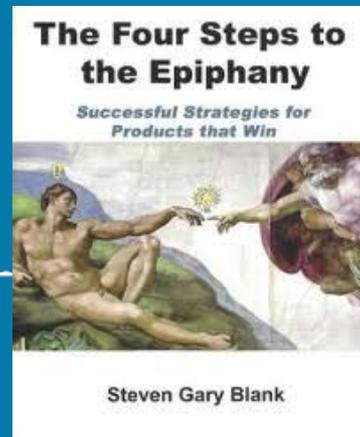
Eric Ries

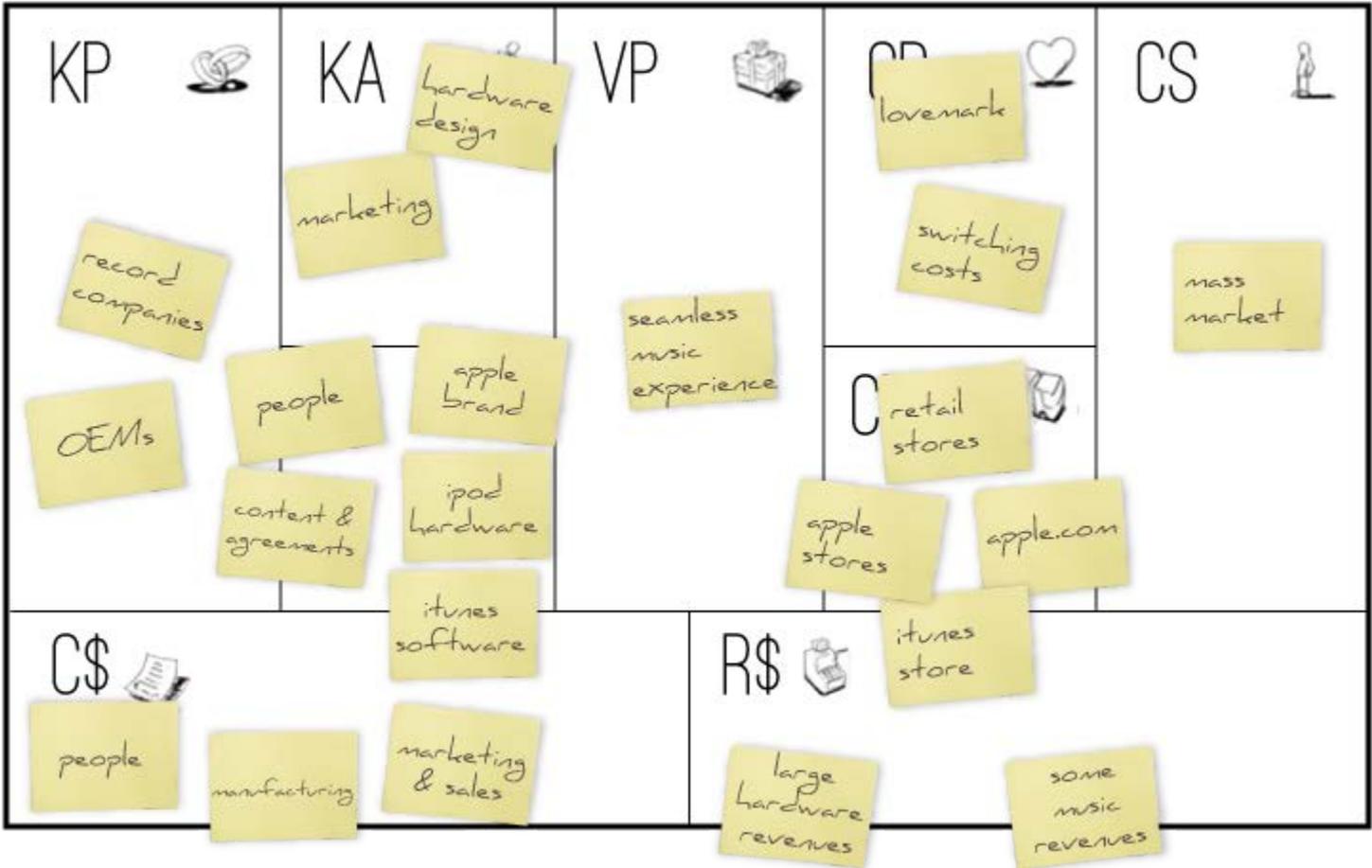


Alexander Osterwalder



Steve Blank





1 Experimentation Mindset

2 Discovery Skills

3 Lean Startup Approach

The *Lean* Start Up



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