

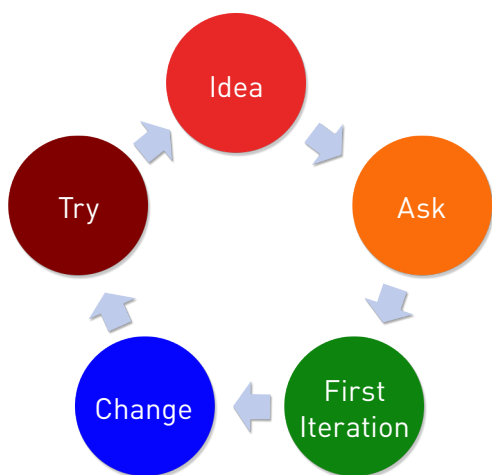
## Starting Out LEAN



February, 2015

## STARTING OUT LEAN - SOUNDS SIMPLE ENOUGH

But it's not. The process seems straight forward, but knowing how to formulate ideas, present them, assess feedback and incorporate what you've heard requires a lot of judgment.



LEAN processes have been one of the most freeing concepts ever visited upon entrepreneurs. Developing and testing an hypothesis by talking to real customers, getting a first cut at a product or service out for comment, finding out whether or not it's acceptable, then refining or changing direction are the key steps in the process.

When Eric Reiss started talking about LEAN, it became apparent that a number of tried and true concepts would need to be reconsidered.

You can't really build a business plan, or a quality piece of marketing research unless you know what the market is really interested in buying.

Doesn't it make sense to ask them first!

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### LEAN Principles

#### LEAN

Don't invest time and effort in building products you think the market may want.

Get out and talk to customers. Use their knowledge to test your ideas and listen carefully.

Make iterative adjustments even if it means completely changing direction. Then test again.

Be mindful of the cost of getting that first customer.

Don't perfect the product until you know there's a market.

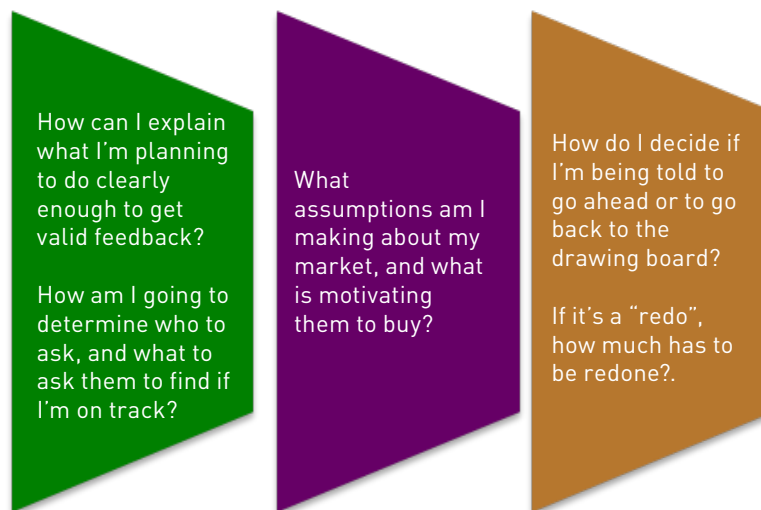
Once you've confirmed there is a market, then think about the business model.

Now that you have some valid experience, you can finally build a business plan and develop your forecasts.

## *YOU'VE CONVINCED YOURSELF LEAN IS THE WAY TO GO, BUT NOW REALITY SETS IN*

I have a great idea. After I've spoken with a few potential customers, I can make whatever adjustments are needed, ask them if they like this better, until I'm sure I have it right. Then, we're "off to the races".

Ask yourself this:



The most valuable part of LEAN is finding out first hand from potential customers if they buy into your idea and what would cause them to decide to buy. That means being crystal clear about what it is you're planning to offer and to make sure the people you ask are from your group of potential customers.

Undoubtedly, when you think about bringing a product or service to market you will base that decision on a number of assumptions about what the market needs and why they would buy. Make sure you know what you're assuming and be very thankful if you find out you were wrong. It didn't cost you any money to find out!

Starting LEAN sound simple, but to get maximum value, some "rules of the road" need to be followed.

## Approaching lean

LEAN is a customer centric approach to finding out what customers will buy. It makes sense to start with potential customers (not your friends, family and acquaintances). But which customers, and what do you talk to them about?

Upturn Consulting offers services to SME's and one of these is a service that helps to establish advisory boards. The process that was followed to determine if this would be a viable service is set out below. The first step, was to establish an hypothesis.

I think business owners would benefit from having an advisory board. The key ingredient is finding people that can actually help me move my company forward. They must add value.

I need help finding the right people but first of all, I need to be crystal clear about what an advisory board should accomplish, and how I can measure if I'm getting value. In short, I need help finding advisors and setting up an advisory board.

If I do this right, I am going to need to make sure I can ask the right questions of my board to ensure we improve decision making, improve accountability and focus on the most important issues.

At this point, it's clear that the people that should be approached were small business owners to test whether they see potential value. Business mixers such as those sponsored by local tech parks, Boards of Trade, and other small business groups.

The reason for approaching owners in person at these types of venues was that they are not likely to respond to surveys. Moreover, the types of owners that attend these types of gatherings are most likely to be looking for new ways of doing things.

The key to having fruitful discussions is reliant on making sure the discussion topic is clearly stated. That's where the Minimum Viable Product - MVP comes in.

\* Source - Abridged from Upturn Consulting - Business Planning Program

## *The Minimum Viable Product*

The Minimum Viable Product or MVP is integral to LEAN development. It is the best way to clarify what should be taken to market. That is helpful when it comes to explaining the new product to potential customers.

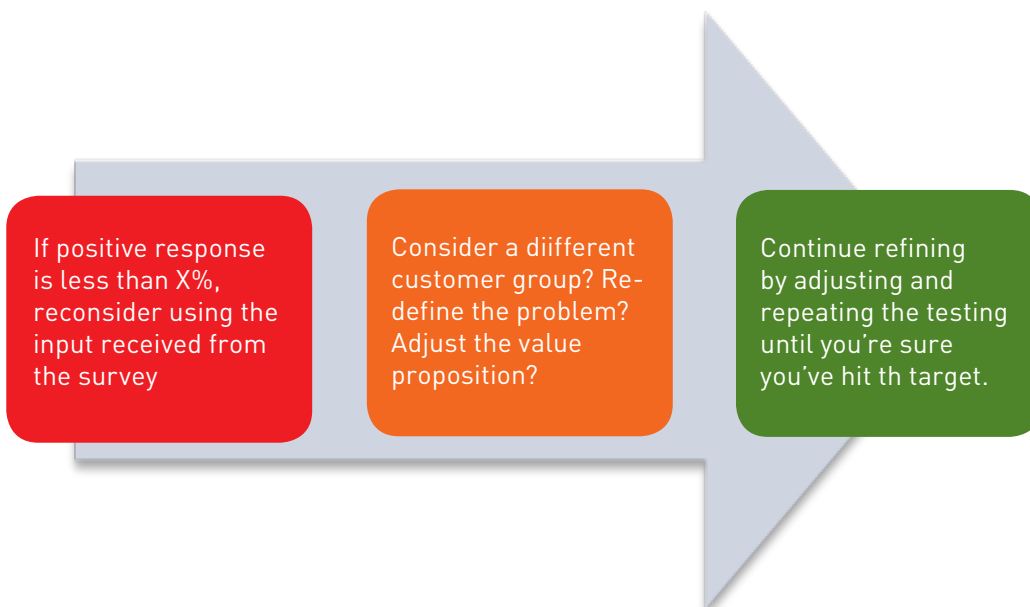
It is also an important step in ensuring that the basic value proposition is understood. If customers indicate they would be interested but only if certain features were added, that's a positive signal because additional features can always be added.

Additional features are just that. We're interested in testing to see if the basic product concept and initial value proposition resonates. We're also interested in understanding what assumptions we've made in concluding that the product will actually meet a need and whether potential customers agree with our thoughts on what constitutes the value proposition.

The MVP gets to the guts of the issue as to whether the core features are of interest, and which of the basic underlying attributes of the offering may need to be rethought:

- Were we right in our assessment of the kinds of customers that would be interested?
- Do potential customers agree with us in terms of the problem to be solved and whether the product will actually help to solve it?
- What have we assumed that was on the mark, and which assumptions were not?
- What changes should be considered?

When MVP's are presented, there are three possible outcomes – a high level of agreement, a partial level of agreement and a clear indication that we missed the mark. Not every potential customer will agree with the basic value proposition. It's important to set some response criteria to assess whether there is enough support to move forward or not.



# UP↑URN Working with LEAN

Upturn works with clients to guide them through the LEAN process with the view that the result must be a viable business model.



The process outlined above ensures that there is a level of discipline in the approach. That is essential to ensure that each iteration of customer testing can be compared and critical input extracted.

The process is not a lengthy one, but it does require the preparedness to recognize up front that no matter what views may be held regarding the value of a potential product or service, getting advice from customers can add value.



Please contact us:

results@managedupturn.com

+1 250 477 9255

www.managedupturn.com



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Areas of consultancy include corporate governance, risk management, strategic assessment and business reorganizations – including mergers and acquisitions.

Prior to accepting an engagement, Upturn determines client requirements and makes a determination of the outcomes that must be delivered to add value to its clients. Client requirements and value added outcomes form the basis of the agreements that are reached before engagement letters are signed.

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