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# Why Lean Startup sets the wrong priorities

Lean Startup has become the quasi-standard in the (digital) startup scene when it comes to the process of linking a Value Proposition Innovation with a Business Model Innovation. At the same time, it shows that the established set of lean start-up methods has not significantly increased the probability of success for start-up companies.

In particular, there seem to be two plausible reasons for this. On the one hand, it is stated that the low success rate of the lean start-up would be due to the high degree of innovation of the "new business idea". On the other hand, implementation risks can be seen in the rapid scaling of business models.

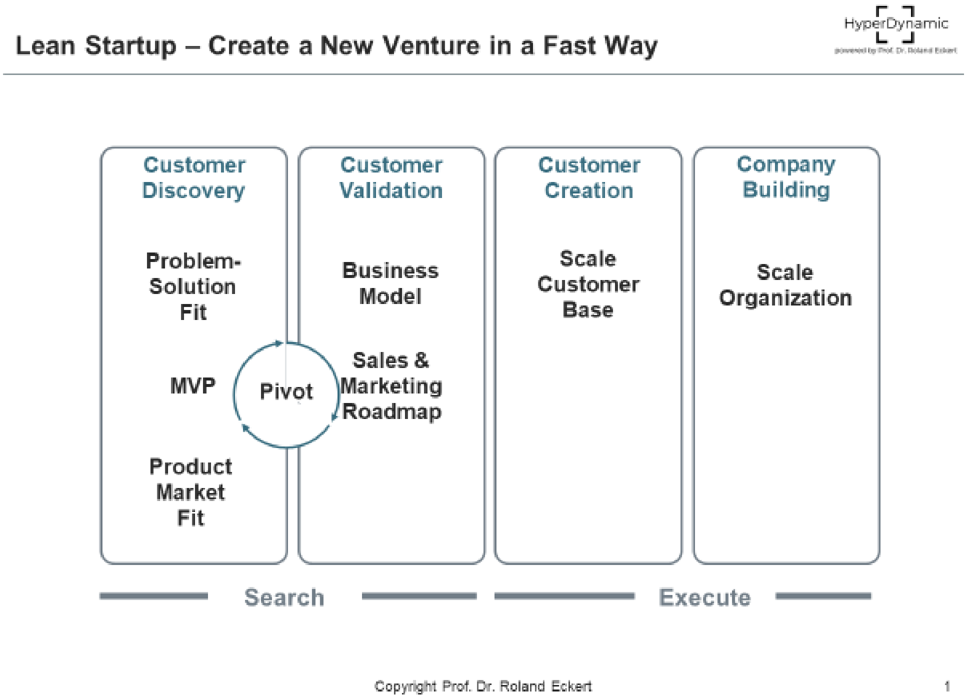
The first risk in particular must and should be viewed critically in the context of this contribution. Studies show, for example, that a majority of new business model innovations are merely imitations in which the new business model is geared to new customer groups (couchsurfing vs. AirBnB). In addition, only around 21 percent of start-up companies' business ideas are actually based on their own (customer-oriented) research results or the founders' own business ideas. By contrast, the majority of start-up companies - around 52 percent - use business ideas that have arisen in the course of a previous professional activity. In addition, it can be seen that the majority of successful company founders worked for an already successful company in the same sector before the company was founded, in which the company was later founded.

Against this background, the question arises as to whether Lean Startup really does set the right methodological priorities for company founders. From our point of view, the focus in the Lean Startup has to be readjusted and balanced differently. We then call this modified approach Fast Startup.

## Concept and elements of Lean Startup

The Lean Startup method is based on Eric Ries and Steve Blank. The aim of Lean Startup is to accelerate innovation in startup companies. Lean Startup is essentially about identifying new opportunities as quickly as possible and verifying them through experiments with the customer.

The focus of a Lean Startup is on a fast value proposition innovation (e.g. product or service innovations), which is linked to the development of the necessary business model (e.g. customer access, partner networks).




**Step 1: Customer Discovery**

At the beginning of the Lean Startup process there are first hypotheses to the presumed customer problems and/or the presumed customer needs, which the product to be developed should satisfy. The understanding of the problem is based on customer observations, customer interviews, etc.

Based on this, the first solution approaches for the identified customer problem are developed (Problem Solution Fit), which in turn are checked for plausibility in close coordination with the customer. Closely connected with the problem solution fit is also the question of whether a significant number of customers can be identified (product market fit).

Both for testing the Problem Solution Fits and for testing the Product Market Fits, the Lean Startup uses the so-called "Minimum Viable Product" (MVP), which checks selected characteristics of the problem solution or product in coordination with the customer. This procedure is repeated iteratively until a coordinated product and business model are created.

**Step 2: Customer Validation**

Customer validation focuses on checking the scalability of the product and, in particular, of the business model. This involves, among other things, checking the scalability of product, customer acquisition or pricing activities. This scalability of product offering and business model is the basis for the further development of the start-up company. At the same time, customer validation focuses on the marketing and sales plan. Through a focused use of test sales etc., it is checked at an early stage whether there is actually a purchase acceptance among the buyer groups.

**Step 3: Customer Creation**

In Customer Creation, the focus of the management team is on the active development and expansion of the customer base. The customer creation must be specifically adapted according to the objectives of the start-up company.

**Step 4: Company Building**

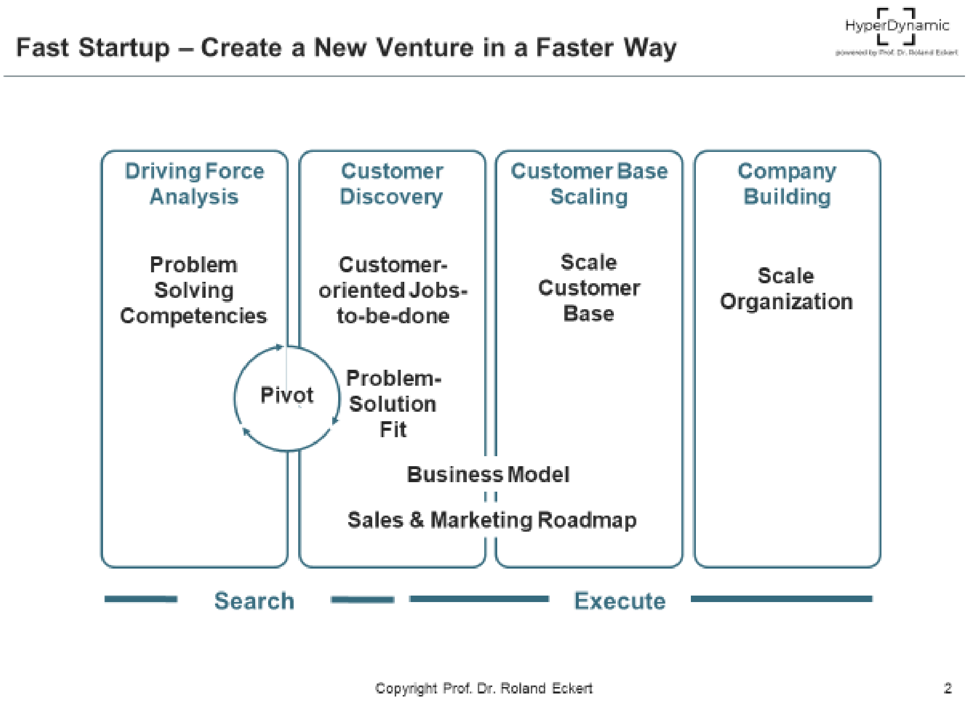
In company building, the aim is to derive the design criteria for building the corporate organization from the validated business model. This involves designing the organizational model, defining the functional areas with the associated roles, responsibilities and responsibilities. In the classical view, a start-up company changes from a flexible network organization to a functional organization in this phase.

## Fast Startup as an alternative design to the classic Lean Startup

The explanations have shown that the Lean Startup was developed around customer centricity. From our point of view, however, the structured approach with a focus on the customer is not sufficient.

Two success factors, for example, receive too little attention:

- In the transition from Customer Validation (Phase 2) and Customer Creation (Phase 3) there is the "Valley of Death", which Geoffrey Moore described in detail in "Crossing the Chas". This is where the customer group changes and the marketing and sales activities of a company must be adapted accordingly.
- In addition, studies have shown that start-ups are particularly successful if they (can) build on existing competencies that were already present in sufficient depth in the founding team before the foundation. Around 52 percent of the innovations from start-up companies come from product and business ideas that the founder took with him from his previous professional environment. Only about 21 percent of the innovations come from the founder's own customer-oriented research.




We must take greater account of these findings in our deliberations. On the one hand, this results in phase formation in the fast startup compared to the lean startup, and on the other hand a changed assignment of selected phase contents.

**Step 1: Driving Force Analysis**

If one considers the research results mentioned above, according to which successful start-up companies build on the existing problem-solving skills of the founding team, it is clear that the first phase must focus on the strategic problem-solving skills of the founding team.

In contrast to the Lean Startup, the Fast Startup is based on the problem-solving skills of the founding team of the startup company during the **Driving Force Analysis** phase. The driving force analysis shows which customer benefits the start-up company can successfully offer.

**Step 2: Customer Discovery**

**Customer Discovery** is about identifying the relevant target groups on the basis of the problem-solving competencies and the customer benefits to be offered. This means that the start-up company has to specialise twice in the specific target group(s) and in specific problem solutions. Customer Discovery then focuses in particular on the target groups for whom problem-solving competence provides the greatest possible customer benefit. This focuses on identifying the relevant jobs-to-be-done. In particular, there are three core questions that need to be answered: Why does the target group buy the product and what target group wants to reach with it? Why don't other potential target groups buy the product? How can my product further improve the target of the identified target groups?

The identification of the problem solving-target group combination should make it possible to scale the product range, provided that the corresponding business model was derived from the problem solving competence and the customer benefit offered. This is about a coherent development of the business model.

### Step 3: Customer Validation

**Customer Validation** is about "Crossing the Chasm". The focus is on scaling the business model. The question is which elements of the business model outside the business model core (Business Model Prototype, e.g. strategic capabilities) need to be adapted.

### Step 4: Company Building

**In the business development** phase, the ultimate goal is to derive the design criteria for an agile business organization from the business model. The development of an agile matrix organisation consisting of competence areas and agile focus areas from the unstructured network of the foundation phase (phases 1 and 2) is the focus.

## Fast Startup for the accelerated establishment of startups

The Fast Startup method is based on the Lean Startup method. Adjustments have been made wherenew findings improve the lean startup. In particular, the knowledge that successful start-ups are associated with the strategic competencies of the founding team is taken into account. In a brief comparison, the main differences between Fast Startup and Lean Startup are revealed.

**Fast Startup vs. Lean Startup**

| | Fast Startup | Lean Startup |
|---|---|---|
| **Zielsetzung** | Innovationen | Innovationen |
| **Fokus** | High-Tech Innovationen in Startup-Unternehmen | High-Tech Innovationen in Startup-Unternehmen |
| **Testing** | Focus on the right things & Learn Fast | Fail Fast |
| **Ideation** | Grundlegende Idee im Gründungsteam vorhanden | Grundlegende Idee entsteht erst in der Kundeninteraktion |
| **Research Methoden** | Qualitative und quantitative Methoden | Qualitative und quantitative Methoden |
| **KUndenfokus** | Fokus auf die identifizierten Kernkunden je Phase | Kundenfokus allgemein |