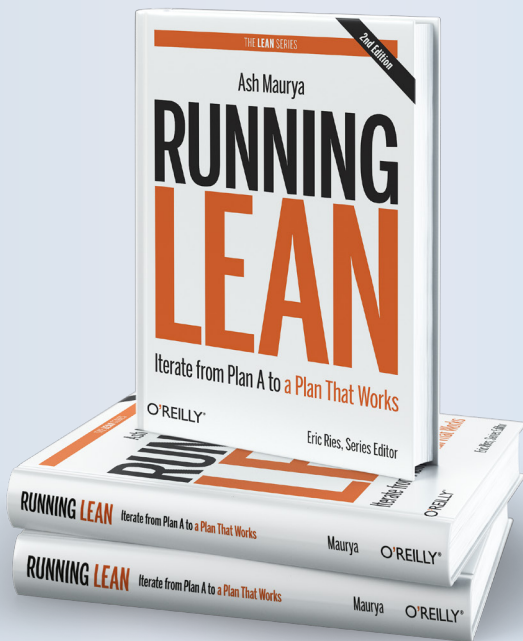


# BOOK SNAPS™

Zooming In On Your Next Read



## Running Lean

By Ash Maurya

Ash Maurya is the founder of USERcycle. Since bootstrapping his last company seven years ago, he has launched five products and one peer-to-web application framework. Throughout this time he has been in search of better, faster ways for building successful products. Ash has more recently been rigorously applying Customer Development and Lean Startup techniques to his products, which he frequently writes about on his blog and turned into a book: *Running Lean*.

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## Iterate from Plan A to a Plan that Works

More products are being conceived and created than at any time in history but most of them see little to no success. Attempts at innovation often fail because of wasted time, funds, and effort that are put into developing “the wrong product.” Startups that do manage to succeed share an interesting common factor. Two-thirds of successful startups “report having drastically changed their plans along the way.” This shows us that having a great idea and a solid plan are not necessarily the right ingredients for success. The awareness that what you are doing won’t work and the ability to find another way that will work before “running out of resources” is actually the biggest differentiator.

Innovators would have a much higher chance of succeeding if they had some way of “vetting product ideas” before going too far down a doomed path. In *Running Lean*, author and serial product developer Ash Maurya delivers a “systematic process” that promises to determine “product/market fit for your fledgling venture” so that your business project is set up for success from the first step. If you are a business owner or plan to become one, manager, CEO, project-based solopreneur, or innovator, this book is for you.

### Three Core Principles

Before you can understand how to apply the Running Lean process, you need to know the framework on which the process was built and be able to separate “principles from tactics.” Maurya says that “principles guide what you do” while “tactics show you how.” The first part of the book explains the principles while the remaining parts delve deeply into putting those principles into practice. *Running Lean* is based on the importance of three essential principles:

#### 1. Creating and documenting your Plan A.

Entrepreneurs are generally enthusiastic and passionate about their ideas. When they land on one they feel especially excited about, they develop a very strong vision for it, which often turns into their Plan A for the idea. However, this first vision is often created in the silo of the entrepreneur’s own mind and thus, it is based “largely on untested assumptions or hypotheses. The first



principle of Running Lean is to get your initial vision out of your head and write it down. This is for the good of the entrepreneur but has a more important function. The “true purpose” of documenting your Plan A is to have something to share with other people that will facilitate conversations about your idea.

## 2. Identifying risks and determining which need attention.

Maurya writes, “Building a successful product is fundamentally about risk mitigation.” Reducing risk, both to customers and to investors, is the real job of an entrepreneur over time. Customers will only buy your products if they believe it will solve whatever problem they are trying to solve. Investors will only fund your startup when they “trust you can build a scalable business model.” You not only have to figure out what the risks are to both groups of stakeholders, you have to determine whether or not the risks warrant a solution.

## 3. Testing your Plan A in a systematic way.

Plan A is put through rigorous testing firmly “rooted in the scientific method.” A series of experiments will either validate or invalidate your Plan A. In this process you attempt to move your hypothesis towards being a good solution to your customer’s problems and a good product for a particular market. Your plan will iterate towards having both using a qualitative and quantitative scale.

## Plan A

Coming up with Plan A is a necessary prerequisite to move ahead in the Running Lean process. It gets your hypothesis out of your own head so that it can be “systematically built and tested.” Maurya recommends using a condensed outline over a lengthy, time-consuming business plan. Lean Canvas is a one-sheet planning tool included in the book for this purpose but this work can be done in the format of your choice. The point is to go through the steps necessary to come up with your Plan A.

One of the first sets of hurdles you will encounter in your quest is identifying your customer, the problem they are experiencing, and the solution your product brings to that problem. Start by making a list of all the potential customers segments for your product and then break those down into smaller segments. Maurya recommends working out a Plan A for the “two or three customer segments you feel you understand the best or find most promising.” From there you have to determine the top two or three problems each customer segment needs solved. Fully understanding these problems, their solutions, and existing alternatives is paramount. You have to ask yourself how your product would be different from other products that attempt to solve the same problem. You have to pinpoint your product’s “unique value proposition in relation to existing alternatives.”

Your Unique Value Proposition or UVP is one of the most important aspects of your entire business and is one of the most difficult things “to get right.” It is the first interaction new customers will have with your product and must be front and center on your website and in all of your messaging. It

communicates “the essence of your product in a few words that can fit in the headline of your landing page.” It must be concise, clear, and completely different, but able to be tweaked as part of the overall process.

With a UVP and set of problems, you can now turn to potential solutions. At this stage, you should only concern yourself with simple solutions that could address each of your identified customer problems. The solutions will change and evolve as you move towards your plan that works so you shouldn’t spend too much time defining these. You should, however, think about pricing and revenue streams. Those inputs can be used to “calculate a break-even point and estimate how much time, money, and effort you need to get there.”

## Assessing Risk

A major contributor to start up waste and eventual failure is the inability to properly identify and prioritize risk. Maurya states that “not all risks are equal.” They have to be assessed from a standpoint of “opportunity cost and real costs.” Risk in your business model can be quantified by figuring out “the probabilities of a specific outcome along with quantifying the associated loss if you’re wrong.” This step is fundamental in assigning a priority to all risks, identifying the riskiest among them, and determining a business model starting point.

It is far too overwhelming to address all risks at once, so they should be categorized, prioritized, and “tackled systematically.” Maurya divides risks into three basic categories of “product risk, customer risk, and market risk.” Different products inherently carry different associated risks but these are a set of “initial risks” that are universal regardless of your business model or product type. When trying to prioritize how to start, your “objective is to find a model with a big enough market you can reach with customers who need your product that you can build a business around.” Customers who need your product the most should be prioritized over lower-need potential customers. If a particular type of customer is easier to reach than another, this should be taken into consideration as well. The pool of potential customers or market size is important to assess. All of these risks and more need to be carefully contemplated.

Once you feel you have a good handle on the associated risks and a business model has been prioritized, it’s essential that outside opinions be actively sought and considered. First turn to those you would consider advisors. They could be “prototypical customers, potential investors, or other entrepreneurs” that have some knowledge or expertise that applies to your situation. These advisors can help you see the bigger picture, identify risks you may have missed, and “help you further refine or outright eliminate some models.”

When meeting with outsiders to gain their critical perspectives, prepare to ask specific questions. Ask them directly to identify the “riskiest aspect of this plan.” Inquire as to whether they have faced similar risks and if so, how they managed to overcome them. Ask for referrals to other advisors that could provide valuable input. Ascertain how your advisor would “go



# Experimentation is the way to determine if your product is headed in the right direction or if it needs iteration.

about testing these risks.” Be completely open with your plan and, after asking some specific questions, prepare to be quiet and simply listen.

## Assemble a Team and Iterate

Now that you are armed with prioritized risks and initial business models, it is time to test your product. As mentioned earlier, this entire method relies heavily on the scientific method. Experimentation is the way to determine if your product is headed in the right direction or if it needs iteration. Spoiler alert! Iteration is going to happen. Maurya lays out a process for stress testing your plan and iterating it into “a plan that works.”

But first, you need a team of people who will participate in the experiments. It is possible to go it alone, but it is not recommended. Having at least one other person to “enforce periodic reality checks” is paramount. A small team of two or three people is ideal. Regardless of team size, a mix of skills and talent is needed to be able to “iterate quickly.” Your team needs to be composed of people who have development, design, and marketing skills. Each team member could have all three skill sets, you could have one person for each area, or you could have people that have competencies in a couple of areas. Whatever the mix, the point is to have a pool of people who can bring these combined assets to the iteration process.

Once assembled, your iteration team is confronted with the goal of “finding a plan that works before running out of resources.” That means that “speed, learning, and focus” are required to run useful experiments. What’s more, all three components must be engaged at the same time, all the time. Here’s why. If you are fast and focused but not learning, for example, you are like a dog chasing his tail. You are quick and that tail has all of your attention, but you aren’t getting anywhere. Conversely, if you are super focused and learning but moving slowly, you risk running out of resources or getting beat to market by your competition.

Team firmly established, it’s time to systematically test your plan. This happens in four stages, which are explained in great detail in the full length book. Worksheets and forms are also provided to guide you through the process. A snapshot of the four steps offers a baseline explanation of experimentation towards iteration.

Understand the problem: The best and fastest way to discover and understand the problems with your model is to get out and talk to customers. Maurya is not a fan of focus groups or surveys. He says that direct customer interaction, interviewing individuals, is the most efficient and clear way to learn your model’s problems.

Define the solution: Customers have provided problems that you have gathered through a structured interview format. Your internal team should now propose a potential solution to address the problems. This solution should be worked up into a demo of your product that Maurya defines as “anything that can reasonably stand in for the actual solution.” This “demo” should be placed in front of customers “for the purpose of measuring their reactions and further refinement” of your product.

Validate qualitatively: After you release the first version of your product, the real learning begins. The main idea at this stage of the process is to learn quickly what customers like and don’t like about your product and how to convert potential customers to actual customers. This stage is highly detailed. It begins with the build out of a basic landing page for your product so that you can become familiar with “the path a customer takes from first landing on your website as an unaware visitor to becoming an interested prospect.” Further validation occurs with a series of customer interviews about your initial product that are aimed at learning what needs to change about your product. This stage is concluded when a large majority of your early adopters have become customers.

Verify quantitatively: No that you have a product that has been validated for quality among a small set of customers, you are ready to launch. Features of your product will be fine tuned based on metrics previously designed. One strategy is to conduct a split-test where one group of customers engages with the new feature and the results are compared to an older group of customers who do not have access to that feature. A “key engine of growth” must be identified and then progress will be measured towards achievement goals. Your model must demonstrate the ability to grow and scale for long term viability.

*Running Lean* is highly detailed and instructional by design. It offers business managers, small business owners, developers and programmers, or anyone who is starting a business project a framework that is every bit as valuable as a graduate level course in product development. This book is a tool to be applied, not a quick read to glean a few new ideas. Readers would benefit from becoming well versed in the techniques of Lean Startup, Customer Development, and Bootstrapping, from which Maurya created his system, before diving into Maurya’s methodology.