“In Running Lean, Ash has put together a book I wish I’d read before pursuing my own startup. The Lean methodology has received a lot of press, but the level of detail, including case studies and practical applications, make this book a resource worthy of sitting on every aspiring entrepreneur’s shelf. It’s not just great advice, but a great read, too.”
—Rand Fishkin, CEO and Cofounder, SEOmoz; Coauthor, The Art of SEO

“Customer validation has always been one of the best ways to eliminate wasted effort and shortcut directly to what will work. Eric Ries and Steve Blank did the startup world a great service by codifying and labeling the principles involved. Ash Maurya goes one further, providing a clear roadmap for Internet entrepreneurs, with a delightfully clear and simple writing style.”
—David Skok, Author, For Entrepreneurs Blog; General Partner, Matrix Partners

“Ash provides compelling, actionable guidance for applying Lean principles to a startup. His startup canvas changed the way I think about my own startup. This book is a valuable guide whether you are a serial entrepreneur or a first-time founder.”
—Sean Ellis, Founder and CEO, CatchFree

“Lean concepts are exciting, but it’s hard to know what to actually do. Ash not only gives advice, but he makes it practicable—this is the first comprehensive guidebook for how to execute a Lean Startup.”
—Jason Cohen, Founder, WP Engine and Smart Bear

“Easily one of the best technical books on Lean Startup ever written. Period. End of point. Done.”
—Dan Martell, Founder, Clarity.fm; Angel Investor
Praise for Running Lean, Second Edition

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Jason Cohen
Founder, WP Engine and Smart Bear

“Ash has laid out a clear compass for anyone to validate their ideas, solve real problems, and create a successful business. I’d recommend this book to anyone trying to get a business off the ground.”

Noah Kagan
Chief Sumo, AppSumo.com

“You’ve read the theory—now Ash distills it to practice. Running Lean is a straightforward toolkit that distills wisdom from the startup world’s greatest minds into battle-tested, actionable steps.”

Dan Shapiro
CEO and Founder, Sparkbuy and Ontela

“I wish I had read Ash’s book before setting out on my own entrepreneurial journey, as it lays out clearly and concisely a cheat sheet to learn many of the lessons that I’ve learned in the last four years through the school of hard knocks.”

Jason Jacobs
Founder and CEO, RunKeeper

“Running Lean is remarkably relevant and clarifying for today’s generation of Internet entrepreneurs, and it’s applicable to so much more. Ash outlines a way of thinking, testing, and launching that can and should be applied to various organizations (small to big), functions (engineering to marketing), and models (consumer to enterprise).”

Ryan Spoon
Investor, Polaris Venture Partners
Author, RyanSpoon.com
“In Running Lean, Ash Maurya lays out a clear, practical plan for giving your startup the best possible chance. We used his approach at Year One Labs with every one of our startups. It’s the best way for new companies to find their groove, explain their business model, and ultimately, grow their business.”

Alistair Croll
Founding Partner, Year One Labs
Solve for Interesting

“The ‘Missing Manual’ for startups. The advisory team at MaRS uses the tools in Running Lean every day. Over the last year, we’ve tested them with dozens of startups and found them invaluable in moving entrepreneurs from idea to product/market fit efficiently.”

Mark Zimmerman
Senior Advisor, MaRS

“Running Lean is a terrific step-by-step guide combining the best of Lean Startup, customer development, business model canvas, and agile/continuous integration. Anyone involved in starting, funding, or helping others build new businesses will benefit, as our students at Northwestern have, from this practical and comprehensive guide to the modern startup.”

Todd Warren
Divergent Ventures
Class Chairman, NUvention Web, Northwestern University

“This is an invaluable resource for budding entrepreneurs, providing a wealth of immediately actionable advice within a logical and accessible framework.”

Dave Chapman
Vice-Dean for Enterprise, Faculty of Engineering Sciences
Deputy Head of Department, Science & Innovation
Director MSc Technology Entrepreneurship
University College London
“Running Lean is THE practical guide for understanding and implementing Lean Startup. It’s clear, well-organized, and detailed. Ash doesn’t guarantee success, or claim Lean is perfect (it’s not!), but he’ll help you avoid the most common and painful pitfalls of running a startup. If you want to be systematic, rigorous, and honest in your startup efforts, as opposed to throwing a Hail Mary pass while blindfolded in space, read and use Running Lean.”

Benjamin Yoskovitz
VP Product, GoInstant
Founding Partner, Year One Labs
instigatorblog.com

“Running Lean was a good overview of the Lean Startup principles as practically applied to software/Internet startups. Virtually everyone in the space, including those very familiar with other writing on the Lean Startup, can pull at least one useful tactic out of it. I particularly liked the discussion of how to use customer development interviews to overcome pricing objections.”

Patrick McKenzie
Founder, Kalzumeus Software
@patio11

“Running Lean is a great resource for the aspiring or successful web entrepreneur since it consolidates the best startup thinking in a practical guidebook that will prevent you from making some of the most common early-stage mistakes. It is required reading for all my students and angel investment management teams since it improves the chance of startup success.”

Michael Marasco
Director and Professor, Farley Center for Entrepreneurship and Innovation, Northwestern University
Angel Investor
“Running Lean is the Missing Manual to the Lean Methodology that focuses on actionable tactics to help you find and vet your web startup idea. If you’re considering building an application using the Lean methodology, you are wasting valuable time by not following the path Ash has laid out in this book.”

Rob Walling
Serial Entrepreneur
Author, Start Small, Stay Small: A Developer’s Guide to Launching a Startup
For Natalia and Ian, who gave me a new appreciation for our scarcest resource—time
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Running Lean is the first book in the new Lean Series. Following the publication of The Lean Startup last year, I have had the opportunity to meet thousands of entrepreneurs and managers around the world. I have enjoyed hearing their stories and grappling with their questions. Most of all, I have heard an overwhelming demand for practical guidance for how to put Lean Startup principles into practice. There is no better person to begin that mission than Ash Maurya.

“Practice trumps theory.” When I first read those words on Ash Maurya’s blog, I knew he would be a valuable addition to a fledgling movement that was just getting started. Since then, he has been a tireless advocate for the Lean Startup movement. He has rigorously tested techniques for applying these ideas in his own startups, sharing what works and what doesn’t. He has conducted countless workshops, each of which is a crucible for discovering the challenges that real entrepreneurs face and for evaluating which solutions really work. And he has been a leader in bringing the movement to his hometown of Austin, one of our most important startup hubs.

The result of all of this work is the volume you now hold in your hand. Running Lean is a handbook for practicing entrepreneurs who want to increase their odds of success. This is not a book of philosophy, or an entertaining compendium of anecdotes. Rather, it is a detailed look at a battle-tested approach to building companies that matter.
We are living in an age of entrepreneurship. Most of the net new job growth in the USA in the past few decades has come from high-growth startups. All of us—investors, managers, policy makers, and ordinary citizens—have an interest in creating the conditions that will foster entrepreneurship. Our future prosperity depends on it.

There are probably more entrepreneurs operating today than at any time in history, thanks to profound changes in the startup landscape. New technologies, like cloud computing, are making it easier and cheaper to get started. New management methods, like the Lean Startup, are helping founders make better use of these capabilities. There has never been a better time to be an entrepreneur.

If I had to summarize these changes in one phrase, it would be this one: “the rentership of the means of production”—turning Karl Marx’s famous dictum on its head. In past eras, to build and operate a company of significant scale required dozens of stakeholders to give you permission. You needed access to capital, machinery, factories, warehouses, distribution partners, mass-market advertising, and so on.

Today, anyone with a credit card can rent all of these capabilities and more. What is significant about this development is that it enables more startup experiments than ever before. And make no mistake, a startup is an experiment. Today’s companies can build anything they can imagine. So the question we are called on to answer is no longer primarily, “can it be built?”, but rather, “should it be built?”

We need these experiments more than ever. The old management tools, pioneered by 20th-century companies like General Motors, relied on planning and forecasting in order to measure progress, assess opportunities, and hold managers accountable. And yet who really feels that our world is getting more and more stable every day?

Successful new products require constant, disciplined, experimentation—in the scientific sense—in order to discover new sources of profitable growth. This is true for the tiniest startup as well as for the most established company.
Running Lean provides a step-by-step blueprint to put these ideas into action. A business plan rests on a series of leap-of-faith assumptions, each of which can be tested empirically. Will customers want the product we’re building? Will they pay for it? Can we provide a service profitably? And once we find customers, can we grow? Running Lean lays out Ash’s approach to breaking these assumptions down so that they can become the subjects of rigorous experiments.

Running Lean’s simple, action-oriented templates provide tools that startups in all stages of development can use to help build breakthrough, disruptive new products and organizations.

It’s been just about three years since I first wrote the phrase “lean startup” in a blog post that a few dozen people read. Since then, these ideas have grown into a movement, embraced by thousands of entrepreneurs around the world dedicated to making sure that new products and new startups succeed. As you read through Running Lean, I hope you will put these ideas into practice and join our community. Odds are there is a Lean Startup Meetup taking place in your city. A complete list of meetups and links to other resources can be found at the official Lean Startup homepage: http://theleanstartup.com.

Welcome to the cutting edge of entrepreneurial practice. I hope you’ll share what you learn, what works and what doesn’t. Thank you for being part of this experiment.

Eric Ries
January 20, 2012
San Francisco, CA
The first edition of Running Lean (released as an ebook) was targeted primarily at people like me: technical founders building web-based products. I was running my first company and on my fifth product at the time. I had been inspired by Steve Blank’s book The Four Steps to the Epiphany (http://www.cafepress.com/kandsranch) and the early works on the Lean Startup methodology by Eric Ries.

My goal with the ebook was to create an actionable guide for other entrepreneurs building web-based products. I wrote and self-published the ebook iteratively using the same methodology outlined in the ebook.

However, once the ebook was published in January 2011, the audience for the book grew beyond my prototypical early adopter, and I was repeatedly met with two kinds of feedback:

- “I can see how these techniques worked for your business, but they won’t work for me because I am building X.”
- “Even though I am building X, these techniques have greatly helped my business with only slight modifications.”

(Where X ranged from software to hardware, B2C to B2B, and high-tech to low-tech.)

I was curious and decided to explore further. In the past year, I have actively sought opportunities to expose and test these ideas with a wide range of businesses by way of running workshops, taking on mentor positions at
several accelerators, and working closely with other entrepreneurs. I still remember being nervous the first time I delivered a workshop to a room full of biotech entrepreneurs. But each time, the results were positively encouraging.

The second edition of Running Lean aims to synthesize my learning over the past year and broaden the audience. Even though a lot of these ideas came out of the high-tech startup world, I believe the principles they embody are universally applicable to any startup or product.

This is reflected in a completely new layout for the book that delineates meta-principles from tactics.

I have also replaced the Lean Canvas case study (which some people found confusing) with a more complete example that follows throughout the book from ideation to exit. In addition, I’ve supplemented the text with several other smaller case studies from a wide range of products that illustrate these principles at work.

Finally, since I wrote the first version, Eric Ries has published his book, The Lean Startup (Crown Business). Along with being the authoritative guide on Lean Startups, the book also introduces several new and powerful concepts like Innovation Accounting and Engines of Growth that I have incorporated into this edition.

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What Is Running Lean?

We live in an age of unparalleled opportunity for innovation. With the advent of the Internet, cloud computing, and open source software, the cost of building products is at an all-time low. Yet, the odds of building successful startups haven’t improved much.

Most startups still fail.

But the more interesting fact is that, of those startups that succeed, two-thirds report having drastically changed their plans along the way.¹

So, what separates successful startups from unsuccessful ones is not necessarily the fact that successful startups began with a better initial plan (or Plan A), but rather that they find a plan that works before running out of resources.

Up until now, finding this better Plan B or C or Z has been based more on gut, intuition, and luck. There has been no systematic process for rigorously stress-testing a Plan A.

That is what Running Lean is about.

Running Lean is a systematic process for iterating from Plan A to a plan that works, before running out of resources.

Why Are Startups Hard?

First, there is a misconception around how successful products get built. The media loves stories of visionaries who see the future and chart a perfect course to intersect it. The reality, however, rarely plays out quite as simply. Even the unveiling of the visionary computer, the iPad, in Steve Jobs’ words

was years in the making, built on several incremental innovations (and failures) of software and hardware.

Second, the classic product-centric approach front-loads some customer involvement during the requirements-gathering phase but leaves most of the customer validation until after the software is released. There is a large “middle” when the startup disengages from customers for weeks or months while they build and test their solution. During this time, it’s quite possible for the startup to either build too much or be led astray from building what customers want. This is the fundamental dilemma described by Steve Blank in *The Four Steps to the Epiphany*, in which he offers a process for building a continuous customer feedback loop throughout the product development cycle that he terms “Customer Development.”

And finally, even though customers hold all the answers, you simply cannot ask them what they want.

> If I had asked people what they wanted, they would have said faster horses.

—Henry Ford

A lot of people cite the preceding quote and declare it hopeless to talk to customers. But hidden in this quote is a customer problem statement: had customers said “faster horses,” they would really have been asking for something faster than their existing alternative, which happened to be horses.

Given the right context, customers can clearly articulate their problems, but it’s your job to come up with the solution.

> It is not the customer’s job to know what they want.

—Steve Jobs

**Is There a Better Way?**

Running Lean provides a better, faster way to vet new product ideas and build successful products:

- Running Lean is about speed, learning, and focus.
- Running Lean is about testing a vision by measuring how customers behave.
- Running Lean is about engaging customers throughout the product development cycle.
- Running Lean tackles both product and market validation in parallel using short iterations.
- Running Lean is a disciplined and rigorous process.
Running Lean references an array of methodologies and thinkers. Three of the most important follow.

**Customer Development**

*Customer Development* is a term coined by Steve Blank and is used to describe the parallel process of building a continuous feedback loop with customers throughout the product development cycle. It is defined in his book, *The Four Steps to the Epiphany*.

The key takeaway from Customer Development can best be summed up as:

> Get out of the building.

—Steve Blank

Most of the answers lie outside the building—not on your computer, or in the lab. You have to get out and directly engage customers.

**Lean Startup**

*Lean Startup* is a term trademarked by Eric Ries and represents a synthesis of Customer Development, Agile Software Development methodologies, and Lean (as in the Toyota Production System) practices.

The term *Lean* is often misunderstood as “being cheap.” While “being Lean” is fundamentally about eliminating waste or being efficient with resources, that interpretation is not completely misguided because money happens to be one of those resources.

However, in a Lean Startup, we strive to optimize utilization of our scariest resource, which is time. Specifically, our objective is maximizing learning (about customers) per unit time.

The key takeaway from Lean Startup can best be summed up around the concept of using smaller, faster iterations for testing a vision.

> Startups that succeed are those that manage to iterate enough times before running out of resources.

—Eric Ries

**Bootstrapping**

*Bootstrapping* is more commonly understood as a collection of techniques used to minimize the amount of external debt or funding needed from banks or investors. Too often, people confuse bootstrapping with self-funding. A stricter definition is funding with customer revenues.
However, I subscribe to a much more philosophical definition of bootstrapping put forward by Bijoy Goswami:

*Right action, right time.*

Startups are inherently chaotic, but at any given point in time, there are only a few key actions that matter. You need to just focus on those and ignore the rest.

**What Will This Book Teach You?**

In this book, you’ll learn:

- How to first find a problem worth solving, before defining a solution
- How to find early customers
- When is the ideal time to raise funding
- How to test pricing
- How to decide what goes into Release 1.0
- How to build and measure what customers want
- How to maximize for speed, learning, and focus
- What is product/market fit
- How to iterate to product/market fit

**Is This Book for You?**

If you are an entrepreneur considering building a new product, or if you already have a product and you want to raise your odds of making it successful, this book is for you.

*Running Lean* is for:

- Business managers
- CEOs
- Developers and programmers who are interested in becoming successful entrepreneurs
- Bloggers, cofounders, small-business people, writers, musicians—anyone who’s creative and interested in starting a new business project
- Innovators
- Startup founders
How Is This Book Organized?

This book is organized into four parts. The parts are meant to be read in order, as they outline the chronological steps required to apply Running Lean to your product—from ideation to product/market fit. Even if you already have a product launched, I recommend starting from the beginning. You will not have to spend as much time going through the stages, and this exercise will help you baseline where you currently are and formulate your next actions.

Each part ends with gating criteria that will help you decide if you’re ready to move on to the next one.

Part 1: Roadmap

Part 1 provides an overall roadmap of the Running Lean process. Specifically, it describes the three core meta-principles that capture the essence of Running Lean and ends with a short case study that helps illustrate these principles in action.

The rest of the book covers each of the following meta-principles in detail in three parts.

Part 2: Document Your Plan A

Part 2 walks through the process of documenting your initial vision (or Plan A) using a portable one-page format called Lean Canvas. Your Lean Canvas will serve as your product's tactical map and blueprint.

Part 3: Identify the Riskiest Parts of Your Plan

Part 3 helps you identify which aspects of your plan to focus on first. It lays some groundwork on the different types of risks startups face, shows you how to prioritize them, and prepares you to start the process of testing and experimentation.

Part 4: Systematically Test Your Plan

Part 4 outlines the four-stage process for systematically stress testing your initial plan and shows you how to iterate from your Plan A to a Plan That Works.
About Me

I bootstrapped my most recent company, WiredReach, in 2002, and sold it in late 2010. Throughout that time, I built products in stealth, attempted building a platform, dabbled with open sourcing, practiced “release early, release often,” embraced “less is more,” and even tried “more is more.”

The first realization early on was that building in stealth is a really bad idea. There is a fear, especially common among first-time entrepreneurs, that their great idea will be stolen by someone else. The truth is twofold: first, most people are not able to visualize the potential of an idea at such an early stage, and second (and more importantly), they won’t care.

The second realization was that startups can consume years of your life. I started WiredReach with just a spark of an idea, and before I knew it, years had passed. While I’ve had varying levels of success with the products I built, I realized that I needed a better, faster way to vet new product ideas. Life’s too short to build something nobody wants.

And finally, I learned that while listening to customers is important, you have to know how to do it. I used a “release early, release often” methodology for one of my products, BoxCloud, and launched a fairly minimal file-sharing product built on a new peer-to-web model we had developed in 2006. After we launched, we got covered by a few prominent blogs and dumped some serious cash into advertising on the DECK network (primarily targeted at designers and developers).

We started getting a lot of feedback from users, but it was all over the place. We didn’t have a clear definition of our target customer and didn’t know how to prioritize this feedback. We started listening to the most popular (vocal) requests and ended up with a bloated application and lots of one-time-use features.

Around that time, I ran into Steve Blank’s lectures on Customer Development, from which I followed the trail to Eric Ries’s early ideas of the Lean Startup. I had dreamt the big vision, rationalized it in my head, and built it and refined it the long, hard way. I knew customers held the answers but didn’t know when or how to fully engage them. That’s exactly what Customer Development and Lean Startup were attempting to address.

I was sold.

---

2 A product development philosophy popularized by 37signals.
Why This Book?

I was determined to test these techniques on my next product (CloudFire) but ran into many early challenges when trying to take these concepts to practice.

For one, Steve Blank’s book was written for a specific type of business, enterprise software, which made it hard to carry over many of the tactics to my products. Also, while Eric Ries was sharing his retrospective lessons learned from working at IMVU, IMVU was no longer a startup. With a technical staff of 40 people and more than $40 million in revenue, what you saw was a fully realized Lean Startup machine, which was at times daunting.

I had more questions than answers, which prompted my two-year journey in search of a better methodology for building successful products. The product of that journey is Running Lean, which is based on my firsthand experiential learning building products and the pioneering work of Eric Ries, Steve Blank, Dave McClure, Sean Ellis, Sean Murphy, Jason Cohen, Alex Osterwalder, and many others who I reference throughout the book.

I am thankful to the thousands of readers who subscribed to my blog, left comments week after week, sent me notes of encouragement to keep on writing, and subjected their products to my testing. This book was really “pulled” out of me by them.

Field-Tested

As a way to test the content for this book, I started speaking and teaching Running Lean workshops. I have shared this methodology with hundreds of startups and worked closely with many of them to test and refine it.

Whereas my blog is a near-real-time account of my lessons learned, this book benefits from retrospective learning and from reordering and refining steps for a more optimal workflow.

I am applying this new workflow to my next startup, which is also a by-product of my blogging and learning over the past year. As of this writing, I have sold WiredReach and am in the process of building and launching a new startup, Spark59.
Disclaimers

Practice Trumps Theory

You get a gold star not for following a process, but for achieving results. One of the things that particularly drew me to the Lean Startup methodology is that it is a meta-process from which more specific processes and practices can be formulated. The same principles used to test your product can and should be applied to test your tactics when taking these principles to practice.⁴

Everything in this book is based on first-hand experiential learning and experimentation on my own products. I encourage you to rigorously test and adapt these principles for yourself. The legal, financial, and accounting aspects of launching a company are outside the scope of the book. When the time comes, it is important to get competent professional advice about financing and structuring your company and its intellectual property assets.

There Are No Silver Bullets

No methodology can guarantee success. But a good methodology can provide a feedback loop for continuous improvement and learning.

That is the promise of this book.

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³ There is no room for faith in a Lean Startup: http://www.ashmaurya.com/2011/02/do-you-have-faith-in-lean-startups/.
PART 1:

ROADMAP
The proper application of any methodology first requires a clear understanding and separation of principles from tactics.

*Principles guide what you do. Tactics show you how.*

The essence of Running Lean can be distilled into three steps:

1. Document your Plan A.
2. Identify the riskiest parts of your plan.
3. Systematically test your plan.

In this chapter, we’ll cover these meta-principles. The rest of the book will focus on the reduction of these meta-principles to practice.

**Step 1: Document Your Plan A**

**There Is an “I” in Vision**

*All men dream: but not equally. Those that dream by night in the dusty recesses of their minds wake in the day to find that it was vanity: but the dreamers of the day are dangerous men, for they may act their dreams with open eyes, to make it possible.*

—T.E. Lawrence, “Lawrence of Arabia”

Everyone gets hit by ideas when they least expect them (in the shower, while driving, etc.). Most people ignore them. Entrepreneurs choose to act on them.
While passion and determination are attributes that are essential in order to drive a vision to its full potential, if they are left unchecked, they can also turn the journey into a faith-based one driven by dogma.

_Reasonably smart people can rationalize anything, but entrepreneurs are especially gifted at this._

Most entrepreneurs start with a strong initial vision and a Plan A for realizing that vision. Unfortunately, _most Plan A’s don’t work._

While a strong vision is required to create a mantra and make meaning, a Lean Startup strives to uphold a strong vision with facts, not faith. It is important to accept that your initial vision is built largely on untested assumptions (or hypotheses). Running Lean helps you systematically test and refine that initial vision.

**Capture Your Business Model Hypotheses**

Too many founders carry their hypotheses in their heads alone, which, though the fastest way to iterate, only helps to further support their own “reality distortion fields.”

The first step is _writing down_ your initial vision and then _sharing_ it with at least one other person.

Traditionally, business plans have been used for this purpose. But, while writing a business plan is a good exercise for the entrepreneur, it falls short of its true purpose: Facilitating conversations with people other than yourself.

Additionally, since most Plan As are likely to be proven wrong anyway, you need something less static and rigid than a business plan. Taking several weeks or months to write a 60-page business plan largely built on untested hypotheses is a form of waste.

> _Waste is any human activity which absorbs resources but creates no value._
> —James P. Womak and Daniel T. Jones, _Lean Thinking_ (Free Press)

My format of choice is to use the one-page business model diagram (Lean Canvas) shown in Figure 1-1.
Lean Canvas is my adaptation of Alex Osterwalder’s Business Model Canvas, which he describes in the book *Business Model Generation* (Wiley).

I particularly like the one-page canvas format because it is:

*Fast*

Compared to writing a business plan, which can take several weeks or months, you can outline multiple business models on a canvas in one afternoon. Because creating these one-page business models takes so little time, I recommend spending a little additional time up front, brainstorming possible variations to your model and then prioritizing where to start.

*Concise*

The canvas forces you to pick your words carefully and get to the point. This is great practice for distilling the essence of your product. You have 30 seconds to grab the attention of an investor over a
hypothetical elevator ride, and eight seconds to grab the attention of a customer on your landing page.²

Portable

A single-page business model is much easier to share with others, which means it will be read by more people and probably will be more frequently updated.

If you have ever written a business plan or created a slide deck for investors, you’ll immediately recognize most of the building blocks on the canvas. I won’t spend time describing these blocks right now, as we’ll cover them in great detail in Part 2 of the book.

A key point I would like you to take away for now, though, is that your product is NOT “the product” of your startup.

Your Product Is NOT “the Product”

I purposely made the solution box less than one-ninth of the entire canvas because, as entrepreneurs, we are most passionate about the solution box and what we are naturally good at (see Figure 1-2).

² It is estimated that up to 50% of visitors to landing pages will bail in the first eight seconds. Source: MarketingSherpa’s “Landing Page Handbook” (2005).
Dave McClure of 500 Startups has sat through hundreds of entrepreneur pitches and will probably sit through hundreds more. During these sessions, he has repeatedly called out entrepreneurs for spending a disproportionate amount of time talking about their solution and not enough time talking about the other components of the business model.

*Customers don’t care about your solution. They care about their problems.*

—Dave McClure, 500 Startups

Investors, and more important, customers, identify with their problems and don’t care about your solution (yet). Entrepreneurs, on the other hand, are naturally wired to look for solutions. But chasing after solutions to problems no one cares enough about is a form of waste.

*Your job isn’t just building the best solution, but owning the entire business model and making all the pieces fit.*

Recognizing your business model as a product is empowering. Not only does it let you own your business model, but it also allows you to apply well-known techniques from product development to building your company.

If you take a step back, you’ll see that these meta-principles are nothing more than the divide and conquer technique applied to the process of starting up.

*Lean Canvas helps deconstruct your business model into nine distinct sub-parts that are then systematically tested, in order of highest to lowest risk.*

**Step 2: Identify the Riskiest Parts of Your Plan**

*Building a successful product is fundamentally about risk mitigation.*

Customers buy from you when they trust you can solve their problems. Investors bet on you when they trust you can build a scalable business model.

Startups are a risky business, and our real job as entrepreneurs is to systematically de-risk our startups over time.

Another technique taken from the Product Development playbook is that of “tackling the riskiest parts first.” Not coincidentally, for most products, the solution isn’t what’s riskiest.

Unless you are trying to solve a particularly hard technical problem (like finding a cure for cancer, building the next big search algorithm, or splitting isotopes), chances are you will be able to build your product given enough time, money, and effort.
The bigger risk for most startups is building something nobody wants.

While what’s riskiest varies across products, a lot of that risk is driven by the stage of your startup, which we’ll cover next.

The Three Stages of a Startup

A startup goes through three distinct stages, as shown in Figure 1-3.

1. **Stage 1: Problem/Solution Fit**
   - **Key question:** Do I have a problem worth solving?
   
   The first stage is about determining whether you have a problem worth solving before investing months or years of effort into building a solution.
   
   While ideas are cheap, acting on them is quite expensive.
   
   A problem worth solving boils down to three questions:
   - Is it something customers want? (must-have)
   - Will they pay for it? If not, who will? (viable)
   - Can it be solved? (feasible)

   During this stage, we attempt to answer these questions using a combination of qualitative customer observation and interviewing techniques that we’ll cover in great detail Chapters 5 and 6.³

   From there you derive the minimum feature set to address the right set of problems, which is also known as the minimum viable product (MVP).

2. **Stage 2: Product/Market Fit**
   - **Key question:** Have I built something people want?

   Once you have a problem worth solving and your MVP has been built, you then test how well your solution solves the problem. In other words, you measure whether you have built something people want.

³ In *The Four Steps to the Epiphany*, Steve Blank points out the importance of in-depth customer interviews, which he terms “Customer Discovery.”
In Part 4 of this book, we’ll cover both qualitative and quantitative metrics for measuring product/market fit.

Achieving traction or product/market fit is the first significant milestone for a startup. At this stage, you have a plan that is starting to work—you are signing up customers, retaining them, and getting paid.

**Stage 3: Scale**

**Key question:** How do I accelerate growth?

After product/market fit, some level of success is almost always guaranteed. Your focus at this stage shifts toward growth, or *scaling* your business model.

**Pivot Before Product/Market Fit, Optimize After**

Achieving product/market fit is the first significant milestone of a startup and greatly influences both strategy and tactics. For this reason, it is helpful to further delineate the stages of a startup as “before product/market fit” and “after product/market fit.”

Before product/market fit, the focus of the startup centers on *learning and pivots*. After product/market fit, the focus shifts toward *growth and optimizations*. (See Figure 1-4.)

*Figure 1-4. Before and after product/market fit*

**Pivot** is a term used by Eric Ries to describe a change in direction of a startup while staying grounded in learning. The best way to differentiate pivots from optimizations is that pivots are about *finding a plan that works*, while optimizations are about *accelerating that plan*.

In a pivot experiment, you attempt to validate parts of the business model hypotheses in order to find a plan that works. In an optimization experiment, you attempt to refine parts of the business model hypotheses in order to accelerate a working plan. The goal of the first is a course correction (or a pivot). The goal of the second is efficiency (or scale).
This may sound like a subtle distinction, but it has a significant impact on both strategic and tactical execution. Before product/market fit, a startup needs to be architected to maximize learning.

You stand to learn the most when the probability of the expected outcome is 50%; that is, when you don’t know what to expect.

In order to maximize learning, you have to pick bold outcomes instead of chasing incremental improvements. So, rather than changing the color of your call-to-action button, change your entire landing page. Rather than tweaking your unique value proposition (UVP) for a single customer segment, experiment with different UVPs for different customer segments.

Later in the book, we’ll visit many other examples that explain how you purposely architect for learning over optimization.

Where Does Funding Fit into All This?

It’s funny to note how the 37signals folks went from “Outside money is Plan B” to “Outside money is Plan Z” between their last two books: Getting Real and Rework (37signals.com). Once you’re profitable, it’s easy to make such a declaration, but some times are certainly better than others to consider external funding (see Figure 1-5).

Even though you may need to raise seed funding sooner, the ideal time to raise your big round of funding is after product/market fit, because at that time, both you and your investors have aligned goals: to scale the business.

Traction is a measure of your product’s engagement with its market. Investors care about traction over everything else.

—Nivi and Naval, Venture Hacks
A lot of (especially first-time) entrepreneurs feel that Step 1 involves writing a business plan/building a slide deck and getting funded. Taking several months to write and pitch a business plan to investors is not the best use of time for a startup; especially since all you have at that point is a vision and a set of untested hypotheses. Selling this to investors without any level of validation is a form of waste.

Instead, your first goal should be to establish *just enough of a runway* to allow you to start testing and validating your business model with customers.

While not the same thing, bootstrapping and Lean Startups are quite complementary. Both cover techniques for building low-burn startups by eliminating waste through the maximization of existing resources before expending effort on the acquisition of new or external resources.

Bootstrapping + Lean Startup = Low-Burn Startup

(For more, see “How to Build a Low-Burn Startup” in the Appendix.)

**Step 3: Systematically Test Your Plan**

With your Plan A documented and your starting risks prioritized, you are now ready to systematically test your plan. In a Lean Startup, this is done by running a series of experiments.

The Lean Startup methodology is strongly rooted in the scientific method, and running experiments is a key activity. We’ll cover steps for running effective experiments in Part 3 of the book, but for now, let’s start by defining an experiment.

**What Is an Experiment?**

A cycle around the validated learning loop shown in Figure 1-6 is called an experiment.
The validated learning loop, or Build-Measure-Learn loop, was codified by Eric Ries and describes the customer feedback loop that drives learning in a Lean Startup.

It begins in the Build stage with a set of ideas or hypotheses that are used to create some artifact (mock-ups, code, landing page, etc.) for the purpose of testing a hypothesis. We put this artifact in front of customers and “measure” their response using a combination of qualitative and quantitative data. This data is used to derive specific “learning” that serves to validate or refute a hypothesis, which in turn drives the next set of actions.

**The Iteration Meta-Pattern**

While an experiment helps you validate or invalidate a specific business model hypothesis, an iteration strings multiple experiments together toward achieving a specific goal, such as getting to product/market fit.
Figure 1-7 shows the basic iteration meta-pattern we'll use throughout this book.

Figure 1-7. *Iteration meta-pattern*

The first two stages (Understand Problem and Define Solution) are about getting to problem/solution fit or finding a problem worth solving.

Then you iterate toward product/market fit by testing whether you’ve built something people want using a two-stage approach: first qualitative (micro-scale), then quantitative (macro-scale).
A great way to understand the meta-principles covered in Chapter 1 is to see them applied to a real product.

I wanted to pick a simple example that would be readily understood. So, rather than picking a software or hardware product, I decided to outline the process I used to write this book.

Even if you haven’t written a book, you can probably appreciate the steps that go into writing a book, which, as you’ll see, isn’t unlike building a product.

**Case Study: How I Wrote Iterated This Book**

Writing a book was never in my plans. I was too busy running my company. I started my blog in October 2009 because I had more questions about Lean Startups than answers.

Along the way, a few of my blog readers started suggesting that I turn my blog posts into a book. I knew writing a book (even from blog posts) would be a massive undertaking, so while I was flattered by the requests, I *did nothing at first*. After about a dozen such requests, I decided to explore further.

What follows is how I applied the Running Lean process to writing this book.
Understand the Problem

I called these readers and asked them why they wanted me to write a book. Specifically, I asked what would be different about this book from what was already on my blog, or in other blogs and books that are already out there. In other words, I was trying to understand this book’s unique value proposition in relation to existing alternatives.

From these interviews, I learned that, like me, my readers were also struggling with taking Customer Development and Lean Startup techniques to practice (problem statement) and viewed my blog posts as a “step-by-step” guide for applying these techniques from the ground up (solution). Many of them were also technical founders like me who were building web-based products (early adopters).

Define the Solution

With that knowledge, I spent a day building a demo. It was a teaser landing page with a table of contents, a title, and a stock book-cover image (see Figure 2-1).

Figure 2-1. Running Lean teaser page

I knew the riskiest part about writing this book was nailing down the table of contents—not the title, book cover, or even price (since most business books have fairly established pricing).
I called the same readers and asked them: “If I were to write this book, would they buy it?” Their feedback helped me refine the table of contents (define the solution) and gave me a strong signal to move forward.

While encouraging, writing a book for just a dozen or so readers wasn’t indicative of a problem worth solving. So I left the teaser page up and announced the book with a “coming this summer” launch time frame on my blog in March 2010. My readers helped spread the message (channel testing). Then I went back to running my company.

By June, I had collected 1,000 emails (potential prospects), which made writing the book a problem worth solving for me. My rationale for this was at least covering my costs using a simple back-of-the-envelope calculation.

**Validate Qualitatively**

Writing a whole book was still a massive undertaking. I tried writing the first chapter using “copy-and-paste” from my blog but wasn’t happy with the results. I needed to build something even smaller that allowed me to start learning from customers (a minimum viable product).

I took the table of contents and turned it into a slide deck with the same outline and a few bullet points under each topic. I announced a free Running Lean workshop in Austin, Texas and got 30 people interested.

A local incubator, Tech Ranch, was gracious enough to provide a venue but only had room for 10 people. This was perfect, as it meant I could run at least two more workshops with the others (iterate in small batches).

Based on the success of the first workshop, not only did I run more workshops, but I also started charging for them (getting paid is the first form of validation). With each workshop, I continually tweaked the slide deck content for better flow and doubled pricing until I hit some resistance.

By the end of the summer, I understood the solution well enough and started writing. Here again, instead of writing the whole book in isolation, I contacted my potential prospects from the teaser page, many of whom were growing impatient as my initial launch date had come and gone. I apologized for not having finished the book and told them I’d be writing and releasing the book iteratively, much like software. Rather than waiting six more months to get the book, if they preordered the book, now they would get two chapters of the book every two weeks in PDF format.

About half of the people agreed to this arrangement. The others chose to wait for the “finished product,” citing print, iPad, and/or Kindle as their preferred reading format. This further helped me distinguish early adopters from latter-stage customers. These early adopters were driven by the
content alone and didn't care how it was packaged. The content for me was still the riskiest part of the product to test.

Customer feedback during this two-week iteration cycle was immensely valuable. Entire chapters were rewritten for better flow, illustrations were improved,¹ and little typos and grammatical errors were nipped in the bud. Not only was I able to write a better book using this process, but I did so faster.

Verify Quantitatively

Only once the book was “content-complete” in January 2011 did I hire a designer for the book cover, start testing book subtitles, research print/ebook options, and build a marketing website (right action, right time).

While I'd always been prepared to self-publish this book, an interesting thing happened. I was contacted by a major publisher in December 2010 that got wind of the fact that I was writing this book. Not only had they already reviewed the latest version out at the time, but they were interested in publishing the book as-is.

I asked them if my model for writing and selling the book so far would be a deal breaker. On the contrary, they wished more authors wrote their books this way.

At first I was confused, but then it all made sense. The fact that I was able to sell 1,000 copies of the book on my own demonstrated early traction, which helped mitigate market risk for the publisher. This is not unlike how a latter-stage investor views a startup.

As with building a product, the ideal time to attract external resources is after product/market fit, which may or may not be the right action for you at that time.

In my case, I'm happy to say that additional conversations with other publishers, along with advice from Eric Ries, helped me determine that going the publisher route was the right action given my goals. I signed a contract with O'Reilly. Not only had the O'Reilly folks been early proponents of the Lean Startup movement, but they were also highly supportive of an official Lean series of books.

As of September 2011, I had sold just over 10,000 copies of Running Lean on my own and was writing a new and updated edition (the book you hold in your hands). This version was even further refined through countless interviews and workshops with entrepreneurs that spanned a wide

¹ A reader and fellow Austin entrepreneur, Emiliano Villarreal, redid my illustrations and sent me the updated files. We started collaborating on other visuals and he now works with me at Spark59.
spectrum of products (*build a continuous feedback loop with customers*). The goal was to synthesize my learning over the past year and broaden the audience beyond my initial prototypical early adopters of web-based entrepreneurs.

The timeline shown in Figure 2-2 summarizes the process I used to write the first edition of *Running Lean*.

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**Figure 2-2. Running Lean timeline**

### Is the Book Finished?

*A book, like large software, is never finished—only released.*

Because I wrote this book iteratively about a topic that is still evolving, the book was just the beginning.

- I still share my raw learning on my blog.
- I write a biweekly “Running Lean Mastery” newsletter.
- Demand for my workshops has gone up.

While I love teaching these workshops, my true passion still lies in building products. Immersing myself in the world of hundreds of startups helped me identify a number of problems worth solving.

That is how Lean Canvas and USERcycle came to be.

*Lean Canvas* is a business model validation tool. It’s a companion tool to this book that helps you document your business model, measure progress, and communicate learning with your internal and external stakeholders.

*USERcycle* is customer lifecycle management software that helps companies convert their users into passionate customers. Passionate customers come back and use your product, tell others about your product, and pay for your product (or get you paid).
"4.8 out of 5 stars on 150+ Amazon reviews.

We live in an age of unparalleled opportunity for innovation. We’re building more products than ever before, but most of them fail — not because we can’t complete what we set out to build, but because we waste time, money, and effort building the wrong product.

What we need is a systematic process for quickly vetting product ideas and raising our odds of success. That is the promise of Running Lean."