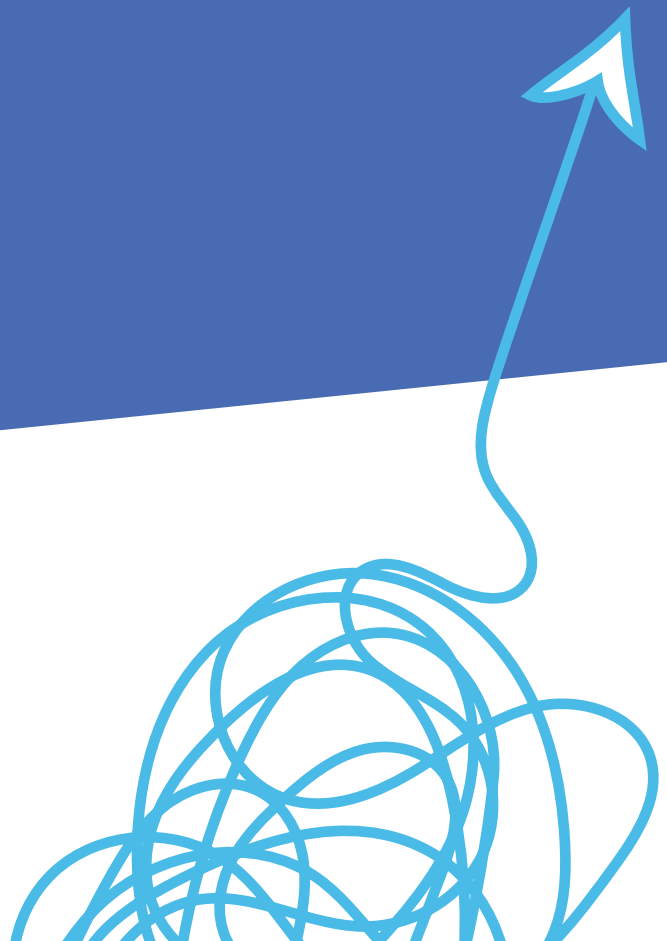
Navigating through the squiggles

A primer on how Lean Startup can help your teams innovate with confidence AND build products customers love.



A Lean Startup eBook

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Lean Startup Co.

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Lean Startup Co.

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Introduction

The journey taken by an individual or a team shepherding a new idea from napkin sketch to revenue generation rarely progresses in a straight line. The path ahead is messy and unclear. Even when teams move forward and sense progress, they often run into dead ends and are forced to reverse course.

We call this journey "navigating through the squiggles."

The teams and individuals embarking on this journey can have many labels. We think of them as entrepreneurs but they can also be intrapreneurs, product teams or startup teams depending on their context. Regardless of the label, what unites these brave travelers is that they are all exploring new initiatives and can't rely on legacy knowledge or an existing playbook to drive an initiative forward. The squiggles are part of the reality for entrepreneurs because they can't plan out a neat set of activities on a Gantt chart to guide the journey, and any planning is limited to guessing. As the oft-quoted Mike Tyson once said "Everyone has a plan, and then you get punched in the face." His universally applicable commentary has particular resonance when we are building products or services for new customers, new markets, or new technologies.

When you don't know what is coming around the corner you tend to bump into things you didn't anticipate. A lot. And it hurts.

In this eBook, we'll be examining what it feels like in the squiggles and how we can use the structure and methods of Lean Startup to get comfortable feeling uncomfortable, and as a result, innovate with confidence and build products our customers love.

Lean Startup Foundations

Lean Startup is a method for reducing the risks of innovation and product development investment by running multiple cycles of customer-facing experiments.

Each experiment cycle where we build experiments, measure their progress and then learn from the outcomes loop, known as the Build Measure Learn loop in The Lean Startup, is designed to move an initiative forward as quickly as possible from an early idea toward a revenue-generating business.

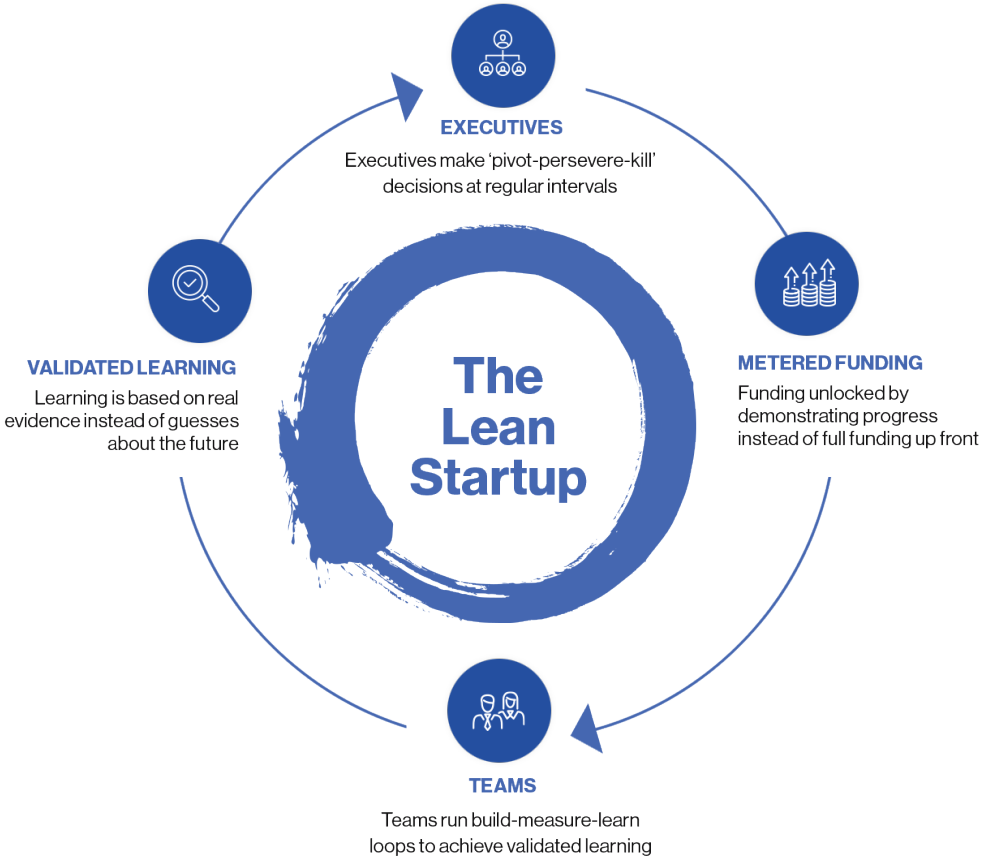
That progress is supported by incremental funding if, and only if, the market signals support such a progression. Using this approach, as teams begin each new loop, teams focus on generating evidence around a narrow area of risk that needs to be validated.

As evidence emerges and accumulates, it gives the team and their leadership more confidence to take the next steps forward on their learning journey.

When the evidence indicates that the initial approach is not leading to traction with customers, teams can choose to pivot from their original strategy while still maintaining a sharp focus on their original vision.

Lean Startup Foundations

For teams, the accumulation of validated learning demonstrating traction, combined with a flexible and responsive approach, translates to more confidence to run additional rounds of experimentation and learn as they go. For business leaders, the aggregated learnings from multiple cycles add up to confidence to support continued metered funding in the initiative.



Build Measure Learn Loops:

1. Running Experiments:

- Begin by stating our current beliefs about the initiative. These are the best guesses as to what the team believes are important understandings about the customer, the business opportunity or how the initiative might be built.
- Identify your most critical assumptions from the assumption set by mapping in a grid using the level of knowledge on the X-axis and how critical the assumption is to the success if the initiative on the Y- axis
- Design an experiment with the appropriate strength of evidence to validate your most critical assumptions.
- Run the resulting experiment and synthesize the validated learnings from each experiment cycle to identify the new critical assumptions, and then repeat the process.

2. Making Decisions:

- After teams run multiple cycles of build measure learn loops to establish a critical mass of evidence, they present recommendations to leadership.
- Leaders respond to the recommendation by juggling what they are hearing from teams, their own subject matter expertise, and their perspective on the business and innovation strategy.
- Leaders decide whether to Persevere with the learning journey, to Pivot to a new strategy for achieving the team's goals, or to Kill the initiative because of the lack of demonstrated traction.
- A decision to fund an initiative into the next stage of their journey is not a decision to continue all the way through to scale. Teams in the squiggles often encounter challenges and are forced to stop and redirect later in their journey.

Getting Moving in the Squiggles

"I don't much care where –" said Alice. "Then it doesn't matter which way you go," said the Cat.
- Lewis Carroll, Alice's Adventures in Wonderland

Two major stumbling blocks stand in the way of many teams as they get started.

1. Lack of a clear and actionable strategy
2. A muddled understanding of the target customer

Let's examine why teams can get started navigating through the squiggles faster and more effectively if they avoid these stumbling blocks.

Clear and Actionable Strategy:

A team that has a clear and actionable strategy can operate with well-defined constraints.

Teams can understand what is outside the guardrails of their discovery activity, so they can avoid wasting time in an area that their stakeholders are not interested in funding.

Teams can move forward aggressively and innovate with confidence knowing that if they discover an opportunity within the strategic vision, there is high potential for leadership support and funding if they discover meaningful traction.

Case Study

For a car manufacturing company building a portfolio of innovation initiatives, defining a strategy that limited exploration to opportunities that didn't require the redesign of the actual vehicle had a massive and positive impact on the teams. They understood that they had the freedom to explore ideas that didn't need to fit into the lengthy design and compliance schedules that drive the vehicle manufacturing process. They could get creative in ways that otherwise would have been entangled in massive dependencies.

Getting Moving in the Squiggles

Customer definition:

If teams are attempting to explore an opportunity framed as being relevant to all possible customers, they are faced with a task equivalent to boiling the ocean.

Where do we start? How do we narrow down our inquiry?

Identifying a specific subset of the overall market gives teams a straw man to bounce ideas off and a focus for them to validate or invalidate. Even if the initial definition of a customer segment is wrong, we want teams to find that out early and react by identifying a new customer target, just as fast.

Case Study

A team at a technology company was tasked with exploring a financial services opportunity. Knowing that their initial guess for their target customer was unbanked and underserved individuals, and not just anyone who needed banking services, gave them a tight focus for their learning. They quickly learned enough to validate their initial assumptions about that customer segment and used them to build a new slate of key ideas to validate as they moved through their journey.

Powerful questions teams should be getting answers to as they start their journey:

Strategy:

- What areas are our stakeholders interested in funding, and what are they not interested in?
- How quickly do our stakeholders expect to see revenue generated?
- Does our organization know what will happen if our innovation initiative is successful?

Target customers:

- Do we know who our target customer is?
- Do we know what their challenges and aspirations are?
- Who are the early adopters amongst our target customers?

Early Discovery

"The most important thing when we talk to customers is to listen, listen, listen."
- Jeff Bezos, Founder and CEO of Amazon

The process of moving through the learning journey requires teams to gradually and deliberately escalate the level of rigor and fidelity associated with their experiments. The higher complexity experiments present their own challenges and we'll discuss those shortly, but early on, the key focus is the deceptively tricky task of actually having conversations with real people who sit inside the team's definition of their target segment.

Why is this tricky? Leaving aside the wide range of personality types amongst team membersand their relative comfort with reaching out and speaking to unknown people, one of the trickiest instincts to suppress, especially for product people, is to start selling.

As Jeff Bezos' quote highlights, the art of asking the right questions and then giving your customers room to answer them is a new skill for many. Silence, it turns out, is in fact golden. Ensuring teams are equipped to design, manage and analyze customer interviews is a powerful catalyst for establishing momentum early in the squiggles.

A second substantial challenge for many teams running customer interviews is access to customers. How can your organization equip teams to get hold of the people they need to speak to? Many larger organizations are not set up to enable teams to talk directly to customers. Powerful gatekeepers stand guard in front of existing customers. The sales function in particular has a valid concern that if teams start speaking to customers the teams might damage hard-earned and high-value relationships. It is often incredibly frustrating for teams brimming with enthusiasm to learn directly from customers, only to be met with resistance from the very people the team knows will benefit most from the learning they can generate. It is critical that leaders confront this challenge and work from a perspective of empathy to help turn potential challengers into allies.

Early Discovery

Working with sales to identify which category of customers is most important, and therefore high risk enough to be avoided, is one approach. Another is to get sales buy-in to learn about critical strategic uncertainties alongside the teams. Whichever approach is taken, it is key not to wait until the teams have already started talking to customers to get that internal buy-in established.

Key questions teams should get comfortable asking when they are learning directly from customer interviews:

- What are some of your personal experiences in the context of our area of focus?
- What does success look like for you here?
- Tell me a story about a time you struggled to achieve that success.
- Have you ever attempted to solve this problem yourself?

Climbing the Evidence Curve

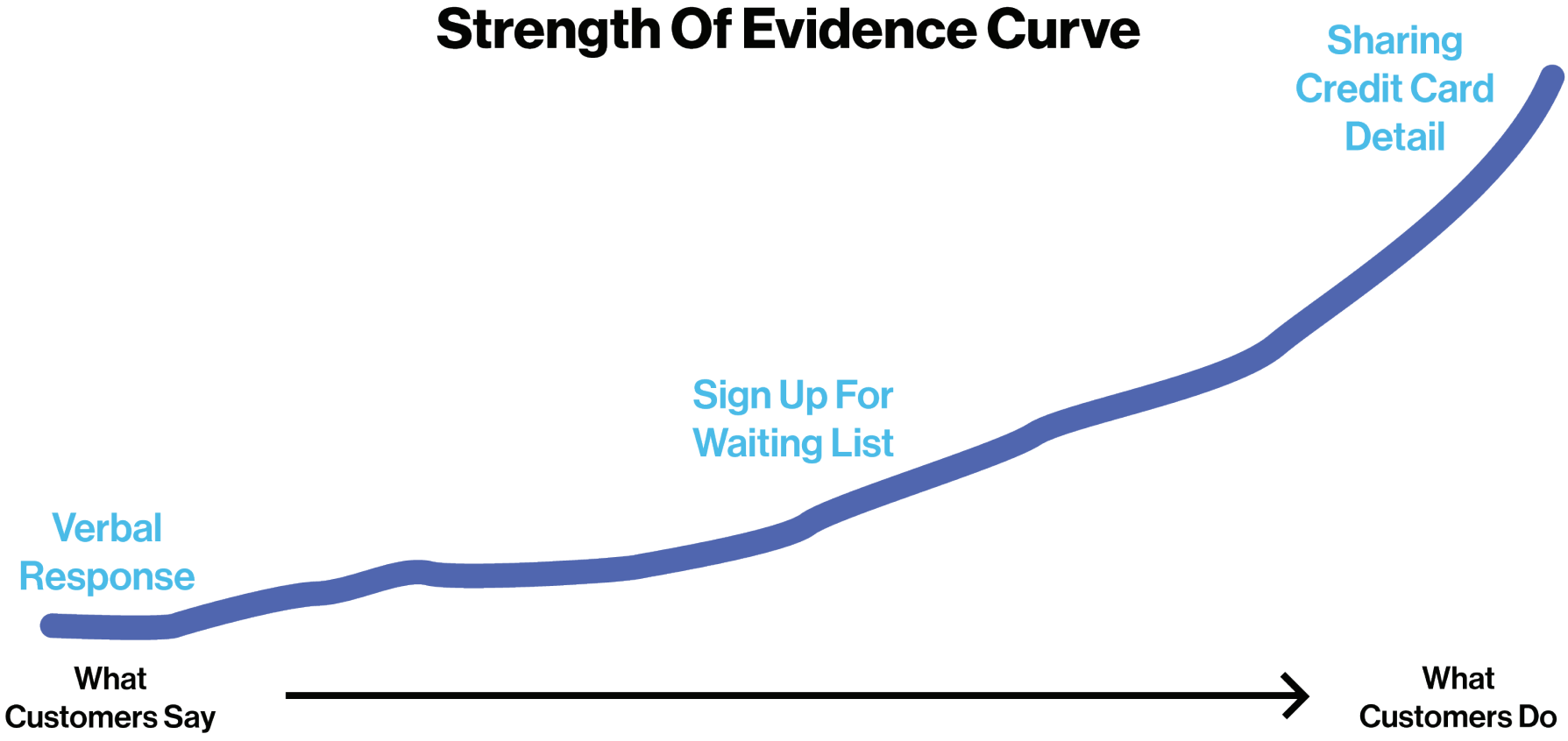
"The more experiments you do, the more likely you are to find something that works."

- Eric Ries, Author of The Lean Startup and Co-founder of Lean Startup Co

It should be abundantly clear that teams navigating through the squiggles on their learning journey need to move quickly. They don't have the luxury of going slowly because every day when they are not generating revenue is a sunk cost for their organization. The quicker they can learn whether there is a potential opportunity for revenue, the quicker they can get out of the squiggles and either start executing or refocus their energy on an alternative opportunity. To do that it's crucial to recognize that experimentation at high speed is only valuable if the quality of experimentation is similarly high. One way of defining the quality of our experiments is to assess whether teams are steadily moving up the Strength of Evidence curve as they run experiments.

When teams engage potential customers in direct conversations and ask the right questions, they can establish a body of evidence that starts to demonstrate traction. That level of evidence is enough to generate early momentum for the learning journey, but it isn't enough to support the type of investment needed to go to scale. Once they have completed a number of rounds of customer interviews they need to start designing experiments that allow them to observe customer behavior through their actions. By building up the strength of evidence they move away from gathering predictions, into observing actions, and ultimately to measuring transactions. Teams that are able to successfully maneuver up this evidence curve give themselves the best possible chance of moving an initiative out of the squiggles and into scale.

Climbing the Evidence Curve



Climbing the Evidence Curve

Creative Experiment Design

The key tactic that teams who are successful at moving through the squiggles employ is consistently reacting to their current circumstances with creativity. If their last experiment landed with a thud, they quickly regroup and think of a different way to test out their hypotheses. We see the same questions showing up consistently: Have we learned enough to move forward testing different assumptions? Are we ready to turn up the strength of our experiments by employing a new, more robust element of the experiment design? Teams can build their experimentation muscles by taking advantage of a palette of experiment elements where they can mix and match depending on their learning progress.

Climbing the Evidence Curve

1. INSTRUMENT:What the team is applying to target customers to test if they say or do something.

Pick the Instrument that will test your critical assumptions as quickly and cheaply as possible.

Examples:

- Landing pages
- 3D Printed prototype
- Sell sheet
- Brochure
- Concierge delivery
- Clickable prototype

2. CHANNEL: How the team gets the instrument in front of target customers.

Identify which Channel will be most efficient given your current stage of progress.

Examples:

- Zoom/Teams call
- Linkedin Ads
- Search keyword
- In person meeting
- Email Campaign
- Snail Mail
- Conference

3. CALL TO ACTION: What the team is asking the target customers to say or do in response to the instrument.

Design the Call to Action to generate clear data to illustrate whether the target customer validated your assumption or not.

Examples:

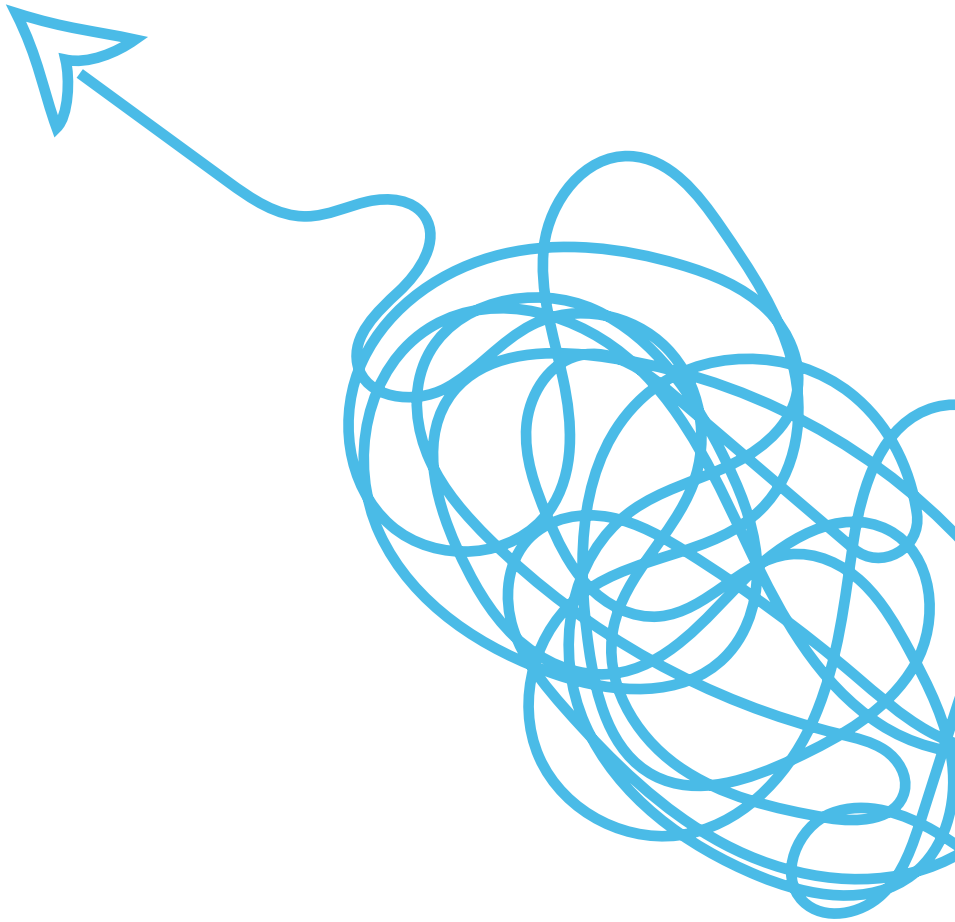
- Sign up for a trial
- Learn More
- Sign Letter of intent
- Share with friends
- Refer a colleague
- Attend a meeting

Dead-ends and U-turns

"Leadership requires creating conditions that enable employees to do the kinds of experimentation that entrepreneurship requires."
- Peter Drucker

In his 1980 book *Managing in Turbulent Times,* Peter Drucker argues that a key function of corporate leadership is creating an environment where people can thrive in the context of high uncertainty. Even 40 years later it remains relevant that if leaders fail to build the culture and processes that support experimentation and risk taking, they become a substantial barrier to innovating at scale.

In the context of understanding the journey through the squiggles there are two key conditions that leaders must support in order to give entrepreneurs the best chances for success, namely encouraging pivots and defining failure.



Dead-ends and U-turns

The Pivot

The pivot is a change in strategy while maintaining a consistent focus on the original north star vision. Entrepreneurial teams can employ the pivot in a variety of circumstances, all centered around the accumulation of evidence from the kinds of experiments we have been discussing so far.

Drivers for a pivot:

- The original business model is not delivering sufficient value.
- The target customer segment is not interested in the product or service being delivered.
- A better way to solve the customer's problem has emerged during experiments with customers.
- The market place has shifted because of competitive dynamics or an evolving regulatory environment.

Case Study

Canva: Canva started out as a paid online tool to create graphics without any design experience. Challenges with the business model forced a pivot and the company moved from a paid to a freemium approach, with a more comprehensive graphic design platform, to become one of the most popular graphic design tools in the world.

Dead-ends and U-turns

How to encourage pivots:

- Create a governance process that gives teams easy access to leadership where they can present recommendations to Pivot, Persevere, or Kill initiatives.
- Use language that makes it clear gathering evidence from customers to inform a change of direction is not a personal failing of the team. In fact, it is a reflection of mature entrepreneurship.
- Give teams enough runway to explore alternative approaches rather than rushing to execute the first approach that was identified
- Establish clear metrics that build accountability around the desired behaviors such as total number of pivots and speed to first insights.

Dead-ends and U-turns

Defining Failure

The goal of teams operating in the squiggles is to deliver a product or service that customers love. Given that most entrepreneurial teams are working with the high levels of uncertainty we have discussed throughout this eBook, there is a one-hundred percent likelihood that they will have to confront challenges and dead-ends on their journey. In this context, the inability to move ahead exactly as anticipated can mean anything from a single experiment that was unable to validate key assumptions to the collapse of the business model in its entirety. Organizations that have successfully established a culture of entrepreneurship understand that the only possible way to describe these episodes as failures is if the team doesn't react quickly enough to the evidence or learn anything from the experience.

If a team learns that they have been targeting the wrong customer, that's a powerful piece of evidence they can use to inform a pivot to a different target. If they learn that the business model as originally conceived has fatal flaws, that can save their business or their investors huge amounts of money they might otherwise have invested into the wrong approach.

Success

Running lean experiments that drive learning and allow teams to either move forward with confidence, pivot to an alternative approach, or decide to abandon the initiative altogether.

Failure

Not reacting quickly enough to evidence, ignoring insights from experiments, or not running experiments at all.

When building an organization where teams can consistently navigate through the squiggles, leaders have a huge responsibility to build a culture that supports the inevitable challenges and dead-ends that teams will encounter.

These challenges and dead ends are the price of finding the next great innovation.

Dead-ends and U-turns

How to reinforce the right definition of failure:

- Celebrate successes, U-turns, and dead-ends alike. By treating all with equal respect, organizations show that U-turns and dead-ends are not something to be feared, and in fact are a necessary part of the entrepreneurial experience.
- Focus on the learning. Leaders need to highlight the learning from experiments. This means asking questions, collecting and analyzing data, and making changes based on what was learned.

Case Study

A leading equipment manufacturer ran a series of experiments to test its assumptions about introducing a new piece of equipment in a specific region. Within a few short weeks, the evidence strongly suggested a complete lack of demand, and the team recommended to their senior executive that the project be abandoned. The leader publicly celebrated the team's work and their evidence-based recommendation that saved the company millions of dollars in product development and marketing costs.

Additional Resources

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Read more about the topics covered in this eBook

Article: When Should We Apply The Lean Startup Approach?
bit.ly/whentoapplyleanstartup
Article: Faster, Smarter Product Development – The Power of MVP Testing
bit.ly/powerofmvptesting
Book: The Lean Startup by Eric Ries
bit.ly/theleanstartupbooks

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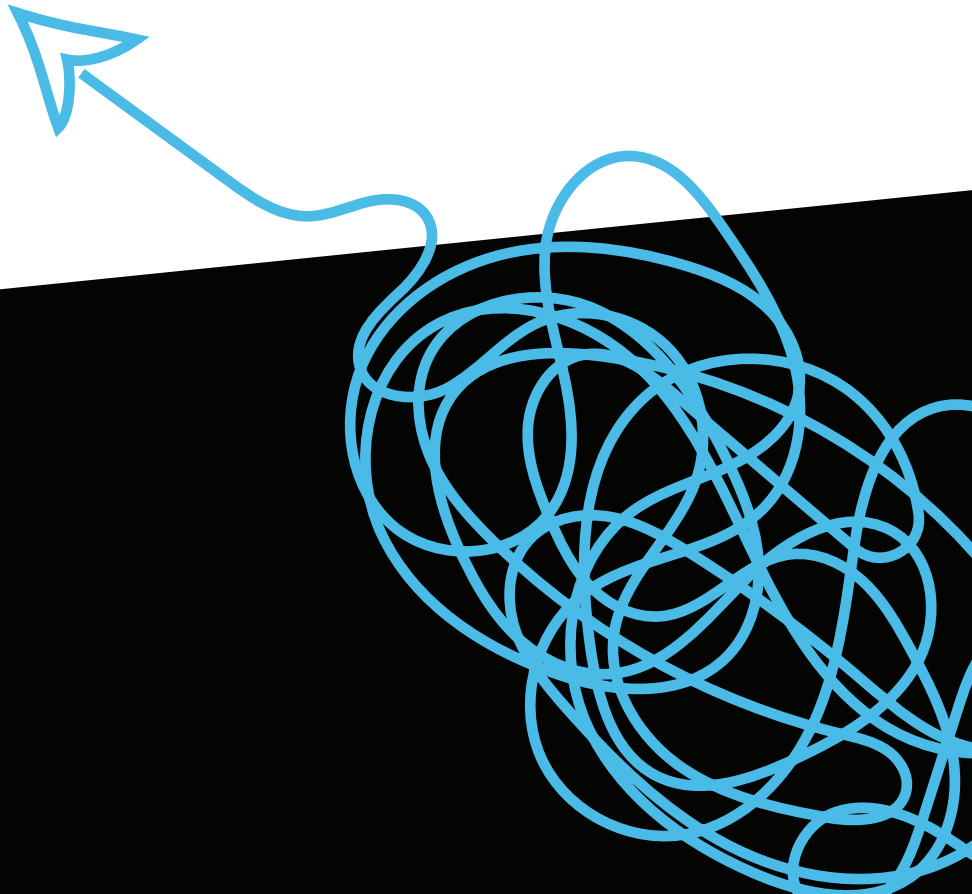
Schedule a Call



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