



Stanford eCorner

Rethinking the Product Development Process

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The canonical product development model - concept, develop, alpha, beta, first customer, ship - is how Silicon Valley grew strong. But why does this process to build a business only succeed part of the time? And how can early stage ventures reduce their overall risk? Serial entrepreneur Steve Blank points out that most founding partners strongly focus on product and ship. But too often, startups confuse engineering's accomplishments with marketing and sales success, and they pop the champagne corks too soon.



Transcript

And what happened was I had time to think about, finally in 1999, about what happened in the previous 21 years. I realized that when I looked at what I had done and what other entrepreneurs had done that there was a pattern. And it was interesting thinking about what was going on with startups. I realized that traditional ways to think about startups - have an idea, raise some money, do product development, go through an alpha test, beta test and first customership was the canonical model of how entrepreneurs thought about early stage ventures. In fact, in my class I kind of used to ask, "Can anybody draw this model?" And I used to say, "Even the waiters in San Francisco could draw this model." So somebody raised their hand and said, "Well, we're waiters in San Francisco because we used to be CEO's of dot-com companies." [Laughter] So I no longer make that joke. But the canonical product development model - idea, raise money, develop, alpha, beta, first customership is the one that the valley grew up in. And when I looked back at it I realized that it really set me up for a fundamental question. As if you all follow that model, why is it that some companies are opening bottles of champagne at their IPO or at their act of rescission and others who almost did the same rules are selling off their furniture? What was the difference here? And is there any way to predict other than you got to work hard and all the war stories you would say? Is there any way to predict success or failure? And even more importantly, was there any way to reduce risk in early stage ventures because I had done eight of them? I had sat on a ton of advisory boards and by the end of my career, I was investing. And these patterns kept coming up. And I'll tell you what the biggest pattern was for me.

An observation number one was that most entrepreneurs, whether they were engineers or the CEOs or part of the founding team, were focused on one thing. And that was getting them to launch and first customership. The board was driving them to that, engineering was driving to that and everybody was focused on "that's the box we're heading to." Well that's interesting. Product development, concept, develop, alpha, beta, first customership. I started asking a heretical question. Whose diagram was this? What's the product development diagram? Well, that's interesting because in the product development diagram, we seem to be hiring and staffing sales, marketing and business development people based on the timing of events on a product development diagram. Turns out if you look at canonical model, around alpha or beta time you start hiring marketing people, start getting ready for launch. Start doing positioning and data sheets. Maybe hire an ad agency, start writing blogs, start communicating, all heading to that big launch event. And if you're doing something not on the Web - how many of you were doing or will do non-Web products? How many are you going to do Web products? Assume that there's a world outside the Web.

You start thinking about maybe it's time to hire sales people, start staffing, getting early customers. And if you're thinking about business development, you start thinking about deals. The observation that I had was all heading for a party. What do we do at first customership? Anybody know? What? Party. It's a party. Who's having the party? Anybody know? Anybody ever been to a company that had a first customership party? Anybody? Trust me, the whole company parties, OK? If you really think about it, who should be having the party? Who's done at the end of product development? Is sales done? No. Marketing done? No. Is dev done? Not really. The only people who are actually done is engineering, yet somehow we end up inviting everybody else to engineering's party. While that might seem a little facetious, it actually drives a lot of company culture - spending, burn rate, etc.