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The Lean Startup: Debunking Myths of Entrepreneurship

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A startup is not a "doll house" version of a larger enterprise. It's a human institution trying to start something new under extreme conditions of uncertainty, says author Eric Ries. It's not that some founders have better ideas than others, and this is what dictates success. What differentiates a successfully launched enterprise is one who can unearth the best ideas under duress - those who can find "the pivot"- the point of reinvention when they realize that their original ideas need retooling. And, more critically, that they can find their market before they run out of money.

Transcript

And look, this a high-tech entrepreneurship so it's a risky business, and we understand that there's going to be some failure. But I think a lot of the companies that are on this chart and across the whole industry fail for really bad reasons and we can do something about that. I'll get to that in a moment. But fundamentally, the Lean Startup is a vision for how our industry could be different. We don't have to accept the same level of failure that we've gotten used to, if we change the way that we operate and if we are willing to give up on some of our really precious myths of entrepreneurship. So, before we get any further, let's talk about, what is a startup? Because one of the myths we're going to have to let go, is what I call the "Startup Dollhouse Fallacy", that a startup is just a shrunken down, big company. And that it'd be nice if that was true, but it's not. That gives rise to thinking like, for example, big companies have departments. Startups are companies; therefore, startups should have departments, which is wrong. And we'll talk about why it's wrong in a minute.

But, I want to really emphasize this point, that startups are not like other kinds of undertakings that you may have heard about, read about, experienced. And because of that, my belief is that although my background is in consumer Internet high-tech startups, the principles that I want to present to you today have a more broad applicability. That they work no matter what sector of the economy you're in. In as I've been doing the Startup Lessons Learned thing the past year, I have gotten the chance to meet entrepreneurs in non-profits, in enterprise, in government. Two weeks ago, I was presenting these ideas at the Pentagon, to the United States Army, and I wasn't sure whether they would really get that there's an opportunity for them to behave like startups. But they got it right away. Actually, I'm sad to say a lot faster than a lot of supposedly savvy tech entrepreneurs. So, the thing about startups is that they are human institutions designed to create something new, under conditions of extreme uncertainty. And it's that uncertainty that really makes it difficult to transplant practices from other contexts into the startup domain. That's why we usually go wrong with a lot of these myths.

And it's a human institution. I include that because we usually think about entrepreneurs as, like, two guys in a garage, you know, they're eating ramen noodles or something like that. But what makes you an entrepreneur is not the kind of noodles that you eat; it's the kind of business that you're trying to conduct. And so because our goal as entrepreneurs is to create a company, an institution, that will outlive us, fundamentally, entrepreneurship is a management science, which I think is counter intuitive to that kind of heroic mythology we have about entrepreneurs. So, why do startups fail and what make them succeed?

If you look at the real stories of entrepreneurs, as I know a number if you will get to do in this class, you'll discover a really interesting pattern. It's not that successful startup founders have better ideas than unsuccessful startup founders. Actually, and I say this is a startup founder myself; most founders have horrifically bad ideas at the start. What differentiates the successful startups from the unsuccessful startups is something we call "the pivot". The idea is that, as we test those ideas against reality, we discover a surprising truth. That within every bad idea is a kernel of a good idea waiting to come out.

And so if you look at the stories of startups, right, they began as doing as cyber cash for PDAs and then they became the online payment provider for eBay. What? They started up building BASIC interpreters and then they've had the world's largest operating system monopoly. And I know it's fashionable and there are PR reasons to go back and say they knew all along that when they made that first BASIC interpreter, that was just step one, obviously, towards operating system world domination. But that's after-the-fact rationalization, which is, unfortunately - we're very good at. And so I called it a pivot because when tenacious founders discover that there's something wrong with their idea, they don't just give up and abandon the whole thing. Instead, they keep one foot firmly rooted in what they learned with the previous idea and move the other foot into the new direction. So it's not a complete change; it's simply changing direction, this kind of zigzag pattern that is what the path of all successful startups look like. And the premise of the Lean Startup is actually simple. It's just, if we can reduce the time it takes us to do those major iterations, those pivots, then we can increase the odds of finding product market fit and being successful before we run out of money. Does that make sense so far?