"A unique guide packed with valuable insights and techniques for accelerating your innovation and startup success."
Ash Maurya, author and creator of Lean Canvas

LEAN INNOVATION GUIDE

A Proven Approach for Innovation Success

DAVID GRIESBACH

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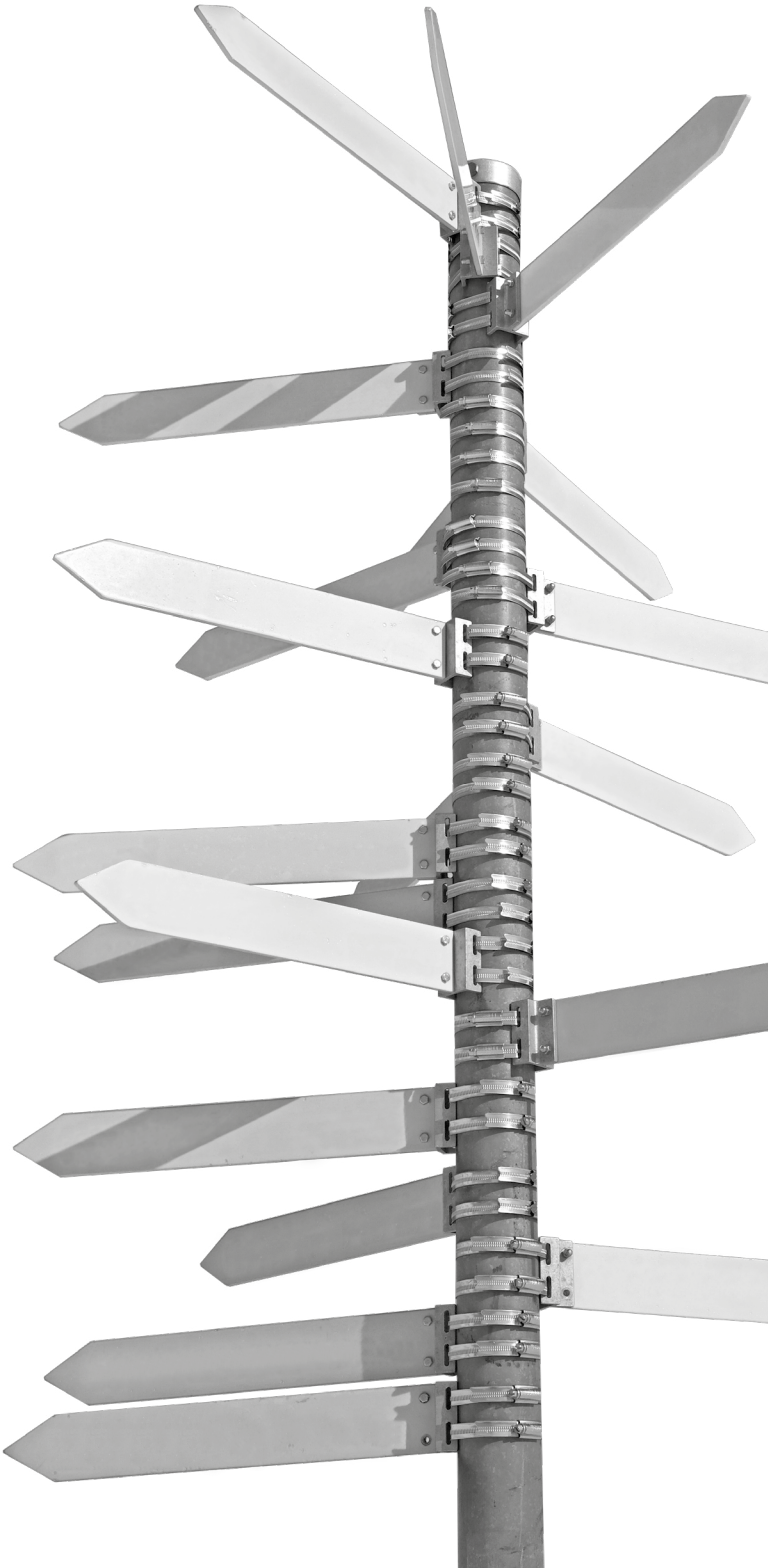
To my wife Samira,
our daughters Léa and Olive,
and my parents who have
always believed in me.

Very early in my career at the age of 23, I was given the responsibility of developing a web-based solution for the execution of customer projects at one of Switzerland's biggest communication agencies. The request had come from one of our main clients, a Swiss subsidiary of a global telecommunications provider. The company wanted to be able to collaborate independent of time and place, and also access the project history at any time. Naturally, our project team first spoke at great length with users, both within our agency, and also with our clients, to define the requirements and specifications. For approximately 50,000 euros we had external software programmers develop a solution that met the identified requirements in every respect. Projects could be set up for users with different access rights, and the type of notifications and their frequency could be customized for each user. Just like today's social media channels, each project and its communication history was posted chronologically on a "news wall" of sorts, thus ensuring constant transparency.

How did the users react? Neither the client's users nor our consultants ever used the solution. The whole thing was a total failure. And for me personally, it was a very disappointing experience. Why did the client want the solution and then end up not using it, after all that? Had we not understood what exactly would have provided the desired added value? And how could I have better managed the project? Should we have had even more discussions with the potential users? Should they have been even more involved in the development, and more consistently? Over the next few years, these unanswered questions and so many more kept going through my head…



… until I met the inventor of the Business Model Canvas, Alex Osterwalder, in 2011. He invited me to one of his first master classes, at which point I became aware of the Lean Startup movement. It immediately became clear to me that the Lean approach would resolve my long unanswered questions regarding the unsuccessful extranet project, and that Lean Startup would unleash a transformation that would overhaul innovation management from the ground up.

Extreme uncertainty as a challenge in the innovation process

In the case of innovative products and services, the challenge lies in the fact that as developers, we always believe we're creating an added value that will be seen as such by potential customers. But because innovations inevitably entail wide-ranging modifications—for example, due to new solutions for existing or new problems, new user behavior or new distribution channels—there's really no way for us to know in advance if and how the desired added value will actually be identified by the customers. The Lean approach has found a better way of dealing with this extreme uncertainty.

Lean Startup and related approaches have thus laid the foundation for the paradigm shift needed in startup and innovation management. At around the same time, I was already working on developing a similar approach as part of my PhD thesis. With this in mind, I immediately saw the potential of Lean Startup. From this point forward, I dedicated myself to the topic and have since committed myself to Lean as a ground-breaking approach to innovation management.

Lean Innovation instead of Lean Startup

In this book, I will be using the term Lean Innovation and I refer to any innovation processes and activities being conducted according to the Lean approach described here, whether in a startup, a SME or a corporation.

While Lean Startup finds its origins in the startup scene, it not only depicts how startups come to be but also describes a generally new approach to developing innovative businesses, products and services. The term "Lean Innovation" also includes all closely associated methods such as customer development[1], running Lean[2], agile innovation management or related concepts.

Extreme uncertainty openly acknowledged

The Lean approach openly acknowledges the extreme uncertainty around innovation projects and innovative startups, whereas traditionally, the business plan would try to get a handle on uncertainty through planning that was as accurate as possible. The innovation process according to Lean Innovation concedes from the outset that in most cases, the original innovation idea will have to be changed to guarantee market success. Quite a few innovation projects even have to be abandoned so that the limited resources can be implemented for new, much more promising ideas. The earlier a change in direction or the necessity to end the project is identified, the leaner our process is.

Unknown assumptions as the basis for experimentation

Lean Innovation has also recognized that innovation projects are based on a multitude of assumptions. For example, we assume that customers are not fully satisfied with the previous solutions, or that potential customers get their information through a specific media channel and we can use that channel to promote our innovation. The assumptions depict smaller and larger risks that have to be prioritized. Thanks to prioritization, the largest risks and their underlying assumptions can first be tested, namely through experimentation such as interviews with potential customers, an initial website to collect e-mail addresses, or a prototype. With the help of prioritization, which also requires continuous testing and adapting, the

innovation process becomes extremely agile and lean because we only invest the minimum in order to learn what is next-most important or represents the highest risk. This process lets us gradually advance towards genuine added value for potential customers and thus the success of the innovation project. In the traditional planning process, the potential customer's decision remains unpredictable right up to the very end, thus representing a considerable risk. Thanks to experimentation, Lean Innovation allows us to identify the route to an innovation project that satisfies potential customers and will thus also be financially successful.

Worldwide Lean Innovation transformation in the works

The Lean approach is already being implemented in the startup and entrepreneur world, but corporations have also started to align themselves to these new paradigms of innovation management. These include, in Switzerland, companies like Swisscom, AXA Versicherungen and Rivella, and in Germany, companies like Lufthansa, Kärcher and Sennheiser. But global companies like General Electric, Proctor & Gamble, Google and Dropbox have also been using Lean Innovation for several years now.[3] Because this is truly a fundamentally new form of innovating, companies and staff are still considerably challenged by this transformation. And many small and medium-sized businesses haven't even started to develop innovative products and services using the Lean approach. We thus find ourselves on the threshold of this transformation.

In the traditional planning process, the customer's decision remains unpredictable right up to the very end.

INTRODUCTION

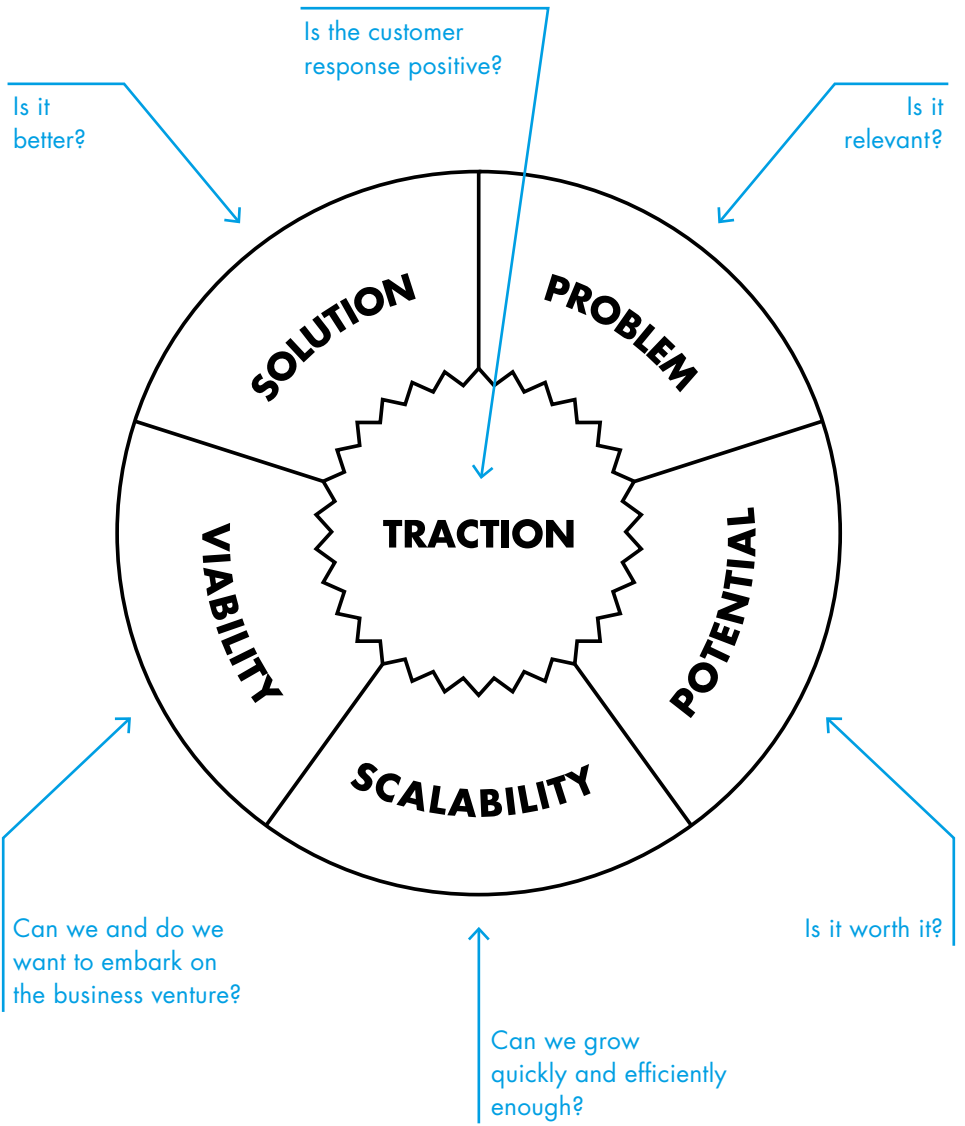
HOW WILL YOU BENEFIT FROM THIS BOOK?

I promise that the benefits you derive from this book will be twofold. First, to date, there is no compact and clearly structured summary of the key ideas, models and tools applied in the Lean Innovation approach. The first part delivers on that promise. If you're new to Lean Innovation or still don't know everything about it, this first part is the perfect foundation and a great introduction. If you're already an expert, you can look up specific topics or use the book to refresh your memory. In addition to defining Lean Innovation, the first chapter explains the key ideas and models. This is followed by a detailed explanation of why Lean is the right approach for innovative startups and innovation management in a company. The first part ends with a toolbox that succinctly introduces the most widely-used tools.

Consolidation of the most important Lean Innovation books, models and tools

Second, you'll have the Lean Progress Model at your fingertips. This new tool will allow you to efficiently introduce and successfully implement the Lean Innovation approach. In the traditional process, we stuck to the business plan, which promised safety and clarity, even if only outwardly. By contrast, Lean Innovation requires that we go through an open-ended exploration and learning process. For this, we need a guide that shows us the process or the current status of a startup or innovation project at a glance. To date, there has been no such guide, and this is exactly what the Lean Progress Model delivers. It consists of the six key success factors of a startup or innovation project. The associated guiding questions help direct the process and the stoplight colors indicate the current status based on interactions and experimentation conducted with potential customers.

The model is explained in depth in the second part using the six success factors. Each factor has its own chapter explaining the key thoughts in detail, supplemented with helpful models and methods. Each chapter ends with the success factor's key guiding questions and a helpful tool so you can choose the right stoplight color. The third part shows you how you can optimally apply the Lean Progress Model and properly synchronize it with the company-specific processes. Using a concrete example, I demonstrate how the Lean Progress Model helped a customer avoid unnecessary investments and develop true added value in a very short time. In conclusion, the model serves as a structure that allows individuals, teams and organizations to assess the model with respect to the preferred success factor. Seven different innovation templates can be identified.



The Lean Progress Model for successfully implementing Lean Innovation

HOW DOES A LEAN PROGRESS MODEL IMPROVE THE SUCCESS OF YOUR STARTUP OR INNOVATION?

In the hundred or so startup or innovation projects I've had the privilege of supporting using the Lean Innovation approach, it became clear to me that many users are struggling with this new approach to innovation. We are so trained and taught to use analyses that are as precise as possible when we theoretically forecast and plan how a project should go, that a gradual forward-looking approach to exploration and learning is something we still need to internalize. As worthwhile and important as Lean Innovation is, applying it brings its own challenges, which need to be mastered:

1. Without a business plan, there needs to be an alternate transparent focus as to where we currently find ourselves in the open-ended learning process.

2. The open process can result in people getting lost in the many opportunities. That is why a strong focus and prioritization are fundamental to operating in a manner that is truly lean.

3. Lack of speed is another key source of waste in the innovation process. We have to test the most important assumptions as quickly as possible and derive the necessary modifications based on this.

The Lean Innovation models and tools developed up to this point have not yet been able to adequately solve these key challenges. This is exactly where the Lean Process Model is applied. The six success factors of an innovation project provide direction and make it clear as to all the things you need to pay attention to and where you currently are in the exploration and learning process. Thanks to the guiding questions, you know exactly what needs to be tested, and in what order.

In addition, the color scheme helps you assess a project in as little time as possible and to plan the next development steps using the evaluation. In summary, the Lean Progress Model helps you introduce a maximum amount of transparency, focus and speed to your startup and innovation projects so that there is no longer anything standing in the way of success.

WHO IS THE BOOK AND THE MODEL MEANT FOR, AND HOW SHOULD THEY BE USED?

Essentially, the book and the model are directed at anyone who deals with innovative business opportunities, products and services and, more generally, with added value for customers and users. The book and the model will support you in a variety of ways:

- Above all else, Lean Innovation is intended to make and keep businesses and organizations successful in the long term, thus avoiding unnecessary investments.

- The Lean Innovation Guide will allow you to develop new business opportunities, products and services that will provide your customers with real added value.

- This book will allow you to quickly and efficiently introduce Lean Innovation as a method and philosophy in your business and to further disseminate it throughout your organization. Anyone who deals with new business opportunities, products and services, and added value for customers, even in the broadest sense, should have and use the Lean Innovation Guide. An investment that pays off, many times over.

- The progress model allows you to better manage the innovation process according to Lean principles, to identify process progress within seconds, and to transparently communicate this to various stakeholders.

- This gives you the tools you need to dramatically increase innovation speed and considerably shorten the time it takes to achieve success.

- It's not just about that big "innovation design." The Lean Progress Model helps you strictly maintain user and value direction, even for less extensive product improvements and new functionality, as well as internal optimization.

- In terms of education and further education, the Lean Innovation Guide provides you with a condensed introduction to Lean Innovation methods, which is very much appreciated by participants. If your role is to support and coach innovation projects, you'll find the process of following the Lean Progress Model extremely transparent and coherent.

- The points above demonstrate that the Lean Innovation Guide and the Lean Progress Model are beneficial to people in a wide variety of roles within a company and other organizations: CEOs, executives, department heads, strategists, innovation managers and their teams, research and development staff, product managers, business developers, software and hardware engineers, startup founders, contractors, consultants, trainers and lecturers.

HOW IS THE BOOK DESIGNED?

The title says it all: it's designed as a pocket guide or coach, a handbook to accompany you along every step of implementing a Lean Innovation approach. The book is meant to help you navigate a development and innovation process that is often unpredictable. For this reason, I opted for a very specific structure: individual topics, ideas, models or tools are printed on facing pages or across four pages. An associated image provides additional clarification for the text on the facing page, but is also meant to stimulate thought and reflection.

1

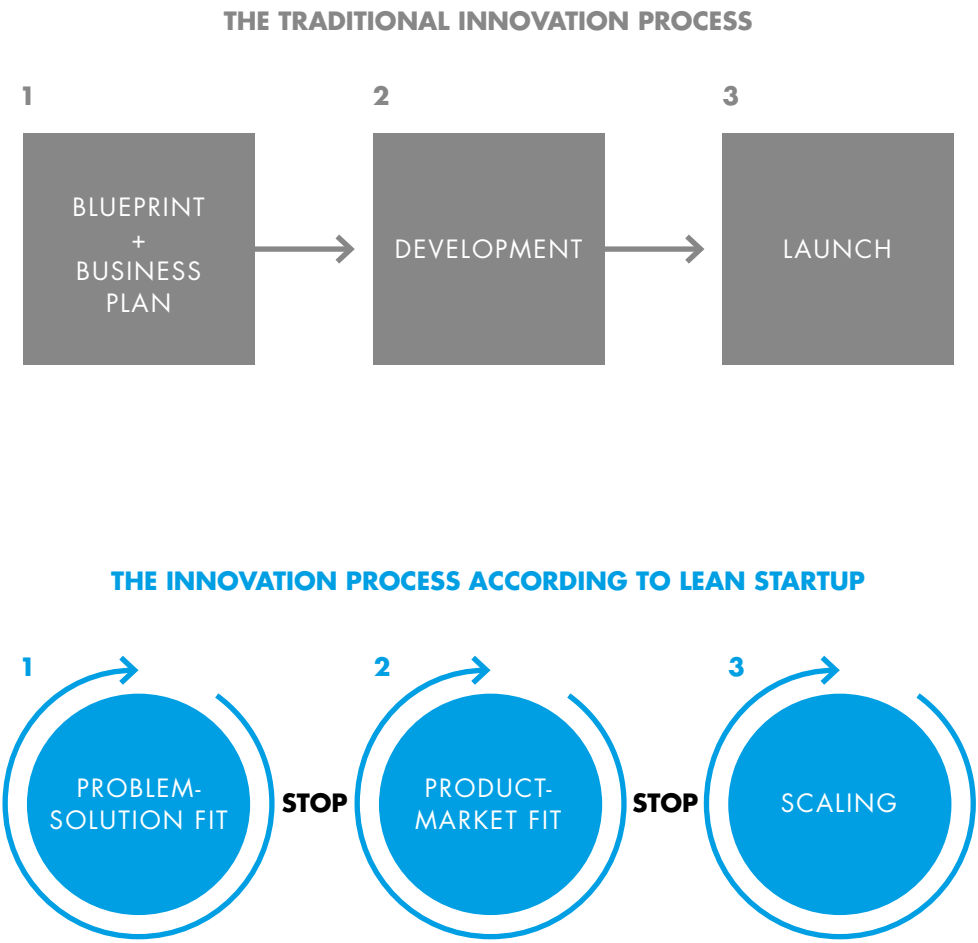
LEAN INNOVATION: INTRODUCTION

Until a short time ago, innovations were developed along the three following simplified process steps: (1) First, we would draft a blueprint and write a business plan. (2) Then we would develop and test the actual product or service. (3) And last, the innovation would be launched on the market (see the top image on the facing page).

The issue with this method is that we think we know from the outset where this innovation train will take us. We more or less blindly believe that our idea is so certain to provide our potential customers with added value that they will definitely be interested in it and will pay for the offering. Unfortunately, it's not until later in the process that we know whether or not this is the case.

THE INNOVATION PROCESS

Until now, we assumed that if we analyzed the innovation idea closely enough at the outset using the business plan, we would eliminate or at least minimize the risk of failure. There are many counterarguments to challenge this assumption: First, many innovation ideas change over the course of the process, sometimes even substantially, which makes the original plan void. Second, the financial projections are, for the most part, fictional and based on many unquestioned assumptions. And third, we end up investing a lot of time and money into the project before we finally find out if the customers are ready to pay for it. This results in sunk costs, and the project contents might be changed a little or a lot, or the project might even be canceled.



The Lean Innovation process compared to the traditional innovation process