CONTINUOUS INNOVATION

The way we build products has fundamentally changed

#ShiftHappens

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WE ARE LIVING IN A NEW WORLD

Efficiency
Lean Manufacturing 1950s

→

Staged
Waterfall 1970s

→

Iterative
Agile 1990s-2000s

→

Continuous
Lean Startup 2010-Today
WE ARE LIVING IN A NEW WORLD
WE ARE LIVING IN A NEW WORLD

Efficiency
Lean Manufacturing
1950s
WE ARE LIVING IN A NEW WORLD

Efficiency Lean Manufacturing 1950s

→

Staged Waterfall 1970s
STAGED PRODUCT DEVELOPMENT

- REQUIREMENTS
- BUILD
- RELEASE (CUSTOMER FEEDBACK)
- MARKET VALIDATION

Waterfall

Staged

Credit: Natalie Hollier
THEN CUSTOMER DEMAND TOOK A STEP JUMP...

...AS WE MOVED INTO THE PC COMPUTING ERA.
WE ARE LIVING IN A NEW WORLD

Efficiency
Lean Manufacturing
→
Staged
Waterfall
1950s

→
Iterative
Agile
1990s-2000s
CUSTOMER DEMAND TOOK ANOTHER STEP JUMP…

…AS WE MOVED AWAY FROM DELIVERING PRODUCTS IN A BOX.
THE ONLY WAY TO BUILD WHAT CUSTOMERS WANT...

...IS TO ENGAGE THEM CONTINUOUSLY
WE ARE LIVING IN A NEW WORLD

- Efficiency: Lean Manufacturing
  - 1950s
- Staged: Waterfall
  - 1970s
- Iterative: Agile
  - 1990s-2000s
- Continuous: Lean Startup
  - 2010-Today
CONTINUOUS INNOVATION

**Waterfall**
- Requirements
- Build
- Release
- (Customer Feedback)
- Market Validation

**Agile**
- Requirements
- Build
- Release
- (Customer Feedback)
- Market Validation

**Lean Startup**
- Requirements
- Build
- Release
- (Customer Feedback)
- Market Validation

**Staged**
- Iterative
- Continuous

Credit: Natalie Hollier
THE GLOBAL ENTREPRENEURIAL RENAISSANCE

- Equal access to tools and knowledge
- Cheaper and faster to build products
- Launch and grow a business from anywhere
IN THE LAST 15 YEARS, 52% OF THE FORTUNE 500 COMPANIES HAVE GONE EXTINCT

Source: Innosight
THE BEST WAY TO FIND A BIG IDEA IS TO CONTINUOUSLY TEST LOTS OF IDEAS.
EARLY ADOPTERS OF CONTINUOUS INNOVATION?

Dropbox

airbnb

food on the table

wealthfront

LIT MOTORS
“Our success at Amazon is a function of how many experiments we do per year, per month, per week, per day.”

- Jeff Bezos
“At any given point in time, there isn’t just one version of Facebook running...There are probably 10,000.”

- Mark Zuckerberg
NUMBER OF EXPERIMENTS RUN PER YEAR

- Intuit: 1,300
- P&G: 7,000
- Google: 7,000
- Amazon: 2,000
- Netflix: 1,000
- Facebook: 100k+

Source: Fast Company
WHAT’S THE COMMON THREAD?
SPEED OF LEARNING IS THE NEW UNFAIR ADVANTAGE

- Out-learn the competition
- Build what customers want
- Stay relevant to customers
- Grow your business model

[Leanstack logo]
WHY ISN’T EVERYONE DOING THIS?

Efficiency
Lean Manufacturing
1950s

→

Staged
Waterfall
1970s

→

Iterative
Agile
1990s-2000s

→

Continuous
Lean Startup
2010-Today
WHY ISN’T EVERYONE DOING THIS?

1. Execution Mindset
2. The Innovator’s Bias
3. Measures of progress
Even though product development is here, business planning is still stuck in old world tools.
“I might have a promising new idea…”

“Show me the plan.”
“I might have a promising new idea...”

THE #2 KILLER OF IDEAS IS THAT THEY NEVER EVEN GET STARTED.

“Show me the plan.”
“We are on track and within budget!”

“Keep up the good work!”
“We are on track and within budget!”

IS BUILDING A **PRODUCT NOBODY WANTS**, ON TIME AND WITHIN BUDGET, PROGRESS?

“Keep up the good work!”
CAN ONLY EXECUTE A FEW BIG IDEAS AT A TIME.
IF YOU AREN’T DISRUPTING YOURSELF, SOMEONE ELSE WILL...
THESE PROCESSES WEREN'T BUILT FOR CONTINUOUS INNOVATION.
But, what if you’re already here?
Minimize the total time through the loop

LEARN
IDEAS
BUILD
DATA
CODE
MEASURE

MVP
“How do you define an MVP?”

“It depends…”
An MVP is the **smallest** solution that **delivers** and **captures back** monetizable customer value.
INCREMENTALLY REFINE MVP

**MINIMIZE THE TOTAL TIME THROUGH THE LOOP**

- IDEAS
- BUILD
- CODE
- DATA
- LEARN
- MEASURE

MVP

[Image: MVP diagram with cycle of ideas, build, code, data, learn, and measure]
THAT IDEA REALLY SUCKED!
NOW WHAT?
DON’T START WITH AN MVP
HOW DO WE START WITH BETTER IDEAS?
The Innovator’s Bias
STARTING WITH A SOLUTION IS LIKE BUILDING A KEY WITHOUT A DOOR
FOCUS ON DOORS OR PROBLEMS WORTH SOLVING INSTEAD...
KEY MINDSET SHIFT

LOVE THE **PROBLEM**
NOT YOUR SOLUTION
“We are running lots of experiments...”

Great! How many new customers have you added?

“None yet... but we are learning a ton!”
LEARNING OR RUNNING EXPERIMENTS 
ISN’T THE RIGHT MEASURE OF PROGRESS.
CONTINUOUS INNOVATION DEMANDS A NEW PROCESS.
THE SCIENTIFIC METHOD

Start with a model

Compute consequences

(In)validate with experiment
A NEW PROCESS THAT SUPPORTS Lightweight Business Modeling
WHEN THERE’S LOTS OF UNCERTAINTY, YOU NEED **DYNAMIC MODELS**, NOT STATIC PLANS.
KEY MINDSET SHIFT

THE BUSINESS MODEL IS THE PRODUCT
THE ENTREPRENEURIAL METHOD

Start with a business model

Identify what's riskiest
A Lean Canvas is **NOT** enough.
Anyone up for some **excel magic**?
Drowning in a sea of data
A NEW PROCESS THAT SUPPORTS

Traction Centric Metrics

Lightweight Business Modeling
Traction is the output of your business model.
THE CUSTOMER FACTORY BLUEPRINT

1. Minimum Success Criteria
2. Sale
3. Retention
4. Acquisition
5. Activation
6. Referral
7. Growth Rate

What drives repeat usage?
What is the first value experience?
What is referral engine?
THE TRACTION ROADMAP

HORIZON 1

SCALE
1,000 customers

HORIZON 2

PRODUCT/MARKET FIT
100 customers

HORIZON 3

PROBLEM/SOLUTION FIT
10 pilots

We are here:
56 customers

Time
3 mos 12 mos 24 mos 36 mos

Customers

THE TRACTION ROADMAP
PROBLEM
METRICS OFTEN TELL YOU ONLY WHAT IS HAPPENING, NOT WHY.
A NEW PROCESS THAT SUPPORTS

Problem Prioritization

Lightweight Business Modeling

Traction Centric Metrics
PUSH SOLUTIONS TO CUSTOMERS

UNCOVER PROBLEMS WORTH SOLVING
PROBLEM

CUSTOMER FEATURE REQUESTS ARE OFTEN SOLUTIONS DISGUISED AS PROBLEMS.
### The Innovation Trinity

- **Desirable**
  - Jobs-to-be-done
  - Customer Development
  - Design Thinking

- **Feasible**
  - Lean Startup
  - Scientific Method
  - AARRR Metrics

- **Viable**
  - Business Model Design
  - Lean Canvas
  - Traction Model

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The Innovation Trinity is a framework that combines desirability, feasibility, and viability to ensure the success of a business venture.
### CUSTOMER FORCES CANVAS

1. **PUSH** (motivation for progress)
   - **Triggering Event(s)**
   - **Desired Outcome**
   - **Existing Solution**
   - **What's at Stake?**

2. **Inertia** (comfort in the old way)
   - **Old Habits / Familiarity**
   - **Switching Costs**

3. **Pull** (attraction of a new way)
   - **Consideration Set**
   - **Unique Value Proposition**
   - **Chosen Solution**
   - **Channel / Price**

4. **Friction** (resistance of the new way)
   - **Anxieties / Uncertainty**
   - **New Habits**

5. **What's Next?**
   - **Actual Outcome**
   - **Next Summit**
A NEW PROCESS THAT SUPPORTS

- Rapid Experimentation
- Problem Prioritization
- Lightweight Business Modeling
- Traction Centric Metrics
- Problem Prioritization
THE ENTREPRENEURIAL METHOD

MODEL
Start with a business model

PRIORITIZE
Identify what’s riskiest

TEST
Test & refine the model
Exposé problems. Test possible solutions.

1 sprint (3 weeks recommended)
CONTINUOUS INNOVATION
CASE-STUDY
WHAT is the riskiest assumption?
ROADSTER
WHY did they use the Lotus Esprit versus another car model?
THE SECRET TESLA MOTORS MASTER PLAN (2006)

1. Build sports car.
2. Use that money to build an affordable car.
3. Use that money to build an even more affordable car.
4. While doing above, also provide zero emission electric power generation options.

Don’t tell anyone.
ROADSTER

Low Volume (500 cars/year)
High Price
Tesla's Planned Road Map to 500,000 Vehicles?

<table>
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<th>Year</th>
<th>Model S</th>
<th>Model X</th>
<th>Model 3</th>
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<td>2014</td>
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<tr>
<td>2020*</td>
<td>45,000</td>
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</table>

Legend: Blue = Model S, Red = Model X, Green = Model 3
STAGE 2: MODEL S

Mid Volume
Less-High Price

MODEL S

ZERO EMISSIONS. ZERO COMPROMISES.

Introducing a car so advanced it sets a new standard for premium performance.

0 EMISSIONS

5+2 AVAILABLE SEATING

3.2 SEC 0–60 MAX ACCELERATION

UP TO 275 MI RANGE AT 65 MPH

ORDER TEST DRIVE CALL ME
STAGE 3: MODEL 3

High Volume
Affordable Price
A NEW PROCESS THAT SUPPORTS

- Lightweight Business Modeling
- Traction Centric Metrics
- Problem Prioritization
- Portfolio Management
- Rapid Experimentation
FEW BIG BETS

OLD WORLD

NEW WORLD

MANY SMALL BETS
The Innovation Idea Funnel

STRATEGY ALIGNMENT

IDEATION

EXPLORATION

(2 weeks)

SELECTION

VALIDATION

GROWTH

PORTFOLIO MANAGEMENT

IDEA SUBMISSIONS

IDEA BRAINSTORMING

IDEA HACKATHONS

CUSTOMER REQUESTS

BUSINESS MODELING

TRACTION MODELING

CUSTOMER/PROBLEM FIT

PROBLEM SOLUTION Fit

(3 months)

PRODUCT/MARKET Fit

(12-24 months)

Scale

(ONGOING)

MVP LAUNCH

BUSINESS MODEL OPTIMIZATION

BUSINESS MODEL REFINEMENT

OPERATIONS INTEGRATION

VISION & STRATEGY

3 YEAR

GOALS (OKR)

LEAN SPRINTS

3 MONTH

3X3X3 PERSPECTIVE
Document your Plan A
Identify riskiest parts of your plan
Systematically test your plan
Understand Problem
Define Solution
Validate Qualitatively
Verify Quantitatively

Problem/Solution Fit
Product/Market Fit
Scale
A NEW PROCESS THAT SUPPORTS

Customer Centricity

- Lightweight Business Modeling
- Traction Centric Metrics
- Problem Prioritization
- Rapid Experimentation
- Portfolio Management
IN THEORY, A LARGE COMPANY SHOULD NEVER FAIL AGAINST A STARTUP...
STARTUPS DIE BECAUSE THEY DON’T FIND ENOUGH CUSTOMERS...
STARTUPS DIE BECAUSE THEY DON’T FIND ENOUGH CUSTOMERS…

…LARGER COMPANIES DIE BECAUSE THEY STOP TALKING TO THEIR CUSTOMERS.
THE ONLY WAY TO BUILD WHAT CUSTOMERS WANT...

...IS TO ENGAGE THEM CONTINUOUSLY
THE CONTINUOUS INNOVATION STACK

- Lightweight Business Modeling
- Rapid Experimentation
- Traction
- Centric Metrics
- Portfolio Management
- Problem Prioritization
- Customer Centricity
WHY ISN’T EVERYONE DOING THIS?

1. Execution Mindset
2. The Innovator’s Bias
3. Measures of Progress
PUSH SOLUTIONS TO CUSTOMERS

UNCOVER PROBLEMS WORTH SOLVING
BE PREPARED TO GET OUT OF YOUR COMFORT ZONE.
EARLY DAYS OF AGILE...

NOT MICRO-MANAGEMENT,
BUT A NEW WAY OF WORKING...
THIS IS THE NEW NEW...

...CONTINUOUS FEEDBACK LOOPS WITH CUSTOMERS
Learn more:
http://leanstack.com

#OutlearnTheCompetition

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