

Lean everything

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Veteran readers of this column will know that I like to argue an ‘end of history’ viewpoint about organisational excellence. ‘We’re at the conclusion of a century or so of evolution’, my argument goes, ‘and we know pretty much all we need to know about the perfection of systems’.

Lean, Six Sigma and Systems Thinking, sometimes collapsed into Lean Sigma, and sometimes elaborated into industry- or sector-specific derivatives, constitute a necessary and sufficient best-practice paradigm. Lite (low fat) versions may be the right place to begin (think A3 problem solving), and it’s worth remembering that all of this Lean/Sigma/Systems stuff has been fished out of the TQM gene pool. Ishikawa diagrammes, Pareto analysis and the other traditional tools still have their place.

As if to prove my point, the May 2013 Harvard Business Review has a lead article by Steve Blank called ‘Why the Lean Start-up Changes Everything’. Lean, it seems, has indeed become *the* universal organising principle.

Steve Blank’s thesis is that many start-ups are wasteful. The conventional approach begins with a business plan – a “static document that describes the size of the opportunity, the problem to be solved, and the solution that the new venture will provide”. Five-year forecasts, profits and cash flow projections are based on the assumption that it’s possible to figure out the unknowns.

There are three things wrong with this approach, Steve Blank says. Desktop business plans rarely survive their first contact with customers, or as boxer Mike Tyson once said “Everybody has a plan until they get punched in the mouth.” Forecasting unknowns using a Soviet-like five year template is a waste of time. And start-ups are not small versions of large companies, they move quickly from failure to failure, adapting, iterating on and improving their original ideas as they continually learn from customers.

A critical difference is that existing organisations *execute* a business model, but start-ups *look* for one. This distinction shapes the lean definition of a start-up: a temporary organisation designed to search for a repeatable and scalable business model. There are, Blank says, three key principles. I’ll summarise, he won’t mind.

First, rather than months of planning and research, lean entrepreneurs begin with a virtual whiteboard (a *business model canvas*) sketching out how they intend to create value for themselves and customers. Second, they get out of the building (go see), and ask potential customers, purchasers and partners for feedback on all elements of their proposal. This *customer development*

approach emphasises speed and nimble iteration, seeking customer responses, then starting again, testing, adjusting, changing. Third, lean start-ups practice *agile development*, a software industry approach that hand in hand with customer development eliminates wasted time and resources, by developing products iteratively, and incrementally creating *minimum viable products* for field-testing.

This approach is not just Steve Blank's idea – there's a literature going back more than 10 years, and the topic is taught in more than 25 universities, on line at Udacity.com, and at Start-up Weekends around the world.

And it's not just for start-up entrepreneurs. Many existing organisations need to invent new business models to ensure their survival and growth, and that's the QNewZ relevance. Whatever your business, and wherever you sit in its food chain, lean entrepreneurship will be part of your future. Disruptive innovation is a fact of organisational life, and agility and speed are key survival skills.

Steve Blank concludes his article by saying that the first 100 years of management thinking focused on building strategies and deploying tools that formalised execution and efficiency for existing businesses. The new lean methodologies have arrived just in time to help existing organisations deal with the forces of continual disruption. The lean start-up approach will help us meet it head-on, innovate rapidly, and transform business as we know it. The beginning of history?

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v2 with corrections