Agility in Business
(The Lean Startup)[1]

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Entrepreneurship is an adventurous and risky activity, for those like me who have started the venture of initiating and keeping a business will always be both challenging and rewarding. But forming a company is not limited to entrepreneurs only; any other executive or manager, or project manager in charge of creating a new product, service, or venture is subject to being under risk and lacking control of several aspects.

For years, management classes focused on operations, great companies, and, in general, organizations that are well-established and working under acceptable terms. The training provided from finance, accountants, information system, and other proper management such as strategic management, operations, marketing, and so are oriented for businesses that have already established stability. On the other hand, startups or initiating a business has traditionally been treated as business-as-usual losing focus on what makes it different when you start a new venture. For those who happen to study management by any chance, have taken business courses, or decided to start a proper company, the traditional approach of a business plan or even an extended plan term is probably not in use anymore. There is a rationale behind it.

In the latest years, agile methodologies have appeared from I.T. environments to management and business having a different approach to managing things. Interaction with the customer, cycles of review and corrections, shorts the gap between what was desired and the result. This methodology has also been applied to initial business with a surprising result. Of course, there are some rejections or objections to this approach, but in general, it looks like a lean approach could be beneficial for the characteristics of a starting business.

1. Starting with the basics

Understanding what an entrepreneur is, in general, "is an individual owner of a private firm expecting to benefit directly from the entrepreneurial profits of their labors." (Boyett, I., 1996). The entrepreneur is under challenging circumstances and with much incertitude to start a business with many things out of control.

Back in 1734, Richard Cantillon defined the "entrepreneur" as the individual's role within business markets driven by a desire for profit and possessing the ability to risk buying cheap and selling dear. (Cantillon, R. 1931). A century later, Jean Baptiste Say was to include those individuals who utilized periods of change and uncertainty to reallocate

[1] How to cite this article: Larios, A. (2020). Agility in Business (The Lean Startup), *PM World Journal*, Vol. X, Issue VI, June.

resources to maximize their entrepreneurial profit levels within a given market. (Say, J., 1827). Ries (2011) opens the concept to include those inside organizations calling them "intrapreneurs" as those who operate inside an established organization running exceptional circumstances that attend building a startup within larger companies.

Entrepreneurship also occurs in the public sector where there is an uncertain environment, a devolution of power, and at the same time, re-allocation of resource ownership to unit management level. "It is driven by those individuals, particularly susceptible to the "manipulation" of their stakeholders and with a desire for a high level of social "self-satisfaction," who can spot market opportunities and who are able through follower "manipulation" to act on them." Boyett, I. (1996).

On the other hand, the startup is "a human institution designed to create a new product or service under conditions of extreme uncertainty." (Ries, 2011). The startup then "might be better conceived as a performative, as a particular mode of speaking and acting, knowledge and ignorance, which are produced and reproduced, alongside digital media and other kinds of economic activities." (Cockayne, D., 2019). It has been suggested that part of what startups produce is not just digital media and other kinds of technologies but also attachments to working conditions and particular types of knowledge and ignorance (see Cockayne, 2016a).

Entrepreneurs and startups go along together and share the idea of initiating something new or never done before in an uncertain, risky environment and lack control. Those elements probably are why traditional management could not be the best fit for them.

2. Entrepreneurship and Management

The first hundred years of management education focused on building strategies and tools that formalized existing businesses' execution and efficiency. We have the first set of tools for searching for new business models as we launch startup ventures. It also happens to have arrived just in time to help existing companies deal with the forces of continual disruption. (Blank, S., 2013).

In the 21st century, those forces will make people in every organization – startups, small businesses, corporations, and government – feel the pressure of rapid change. The lean startup approach will help them meet it head-on, innovate rapidly, and transform business as we know it. (Blank, S., 2013).

As Ries (2011) says, "entrepreneurship is management." However, the traditional approach has failed because it contains well-established organizations and works correctly. For example, planning and forecasting, which is extensively used in corporations, is useless in startups because these new businesses do not have sales, customers, products defined yet; they don't have a history of being based on forecasting, among other reasons. In other words, startups are not mature enough to perform a good plan because they work under too much uncertainty. This will turn startups into having as many goals as possible, leaving no room to operate their core business.

However, failing in the temptation of thinking that startups should be run out of management is equally wrong. There must be some management, direction, orientation, and sense of cohesion to achieve the reason to be for the startup. In counterpart of traditional leadership is the lean startup based on lean manufacturing process where the main focus is on value-creating activities and waste while creating quality in the manufactured products.

Inspired by Lean Manufacturing,2 Ries created TLS to weed out the waste often found in product and business development processes in startups. The tools and concepts described do this by making people better at validating their assumptions, and thus, it is argued, stop activities that add no value (in effect waste) and encourage those that do. (Frederiksen, D. L., Frederiksen, D. L., Brem, A., & Brem, A., 2017).

3. The Lean Startup Method

In his book, "The Lean Startup," Ries mentions the steps or five principles (as he calls it) to Lean Startup. Let's explore some of these points.

Entrepreneurs are everywhere.

As discussed early, entrepreneurs are not limited to a specific definition or location; it is not tied to a particular activity, product, or service. Entrepreneurs can also be part of an existing organization or government trying to initiate an action with much uncertainty. For Ries (2011), "entrepreneurship includes anyone who works within my definition of a startup: a human institution designed to create new products and services under conditions of extreme uncertainty. That means entrepreneurs are everywhere, and the Lean Startup approach can work in any size company, even a vast enterprise, in any sector or industry."

Entrepreneurship is management.

As mentioned above, entrepreneurship can not fall apart from management, but it must be considered another kind. A startup is an institution, an entity, an organization with the peculiarity of operating in a context of extreme uncertainty. There is a need to create another set or process that will complement or adjust with the traditional management process and define new roles.

Validated learning.

This is a crucial concept, considered an essential unit of progress in startups. The learning process becomes fundamental for startups because it brings the knowledge on how to do a business and the definition of the product or services the customer wants. The effort necessary for learning what customers want can be eliminated. This is the validated learning process that demonstrates positive improvements in the startup core metrics.

Build - Measure – Learn.

A startup's rationale is creating a new product or service that does not exist and that the customer does not know that needs it or wants it. It is fundamental for startups to turn ideas into those products or services and measure customers' reactions; how they respond will feedback the process by learning from it, measuring it, pivoting, or persevering. In this way, the loop of feedback is accelerated.

Innovation accounting.

Measures, specifically financial ones, are the traditional way to realize if a business is making progress or not. You cannot improve what you cannot measure. Therefore measures become relevant but different. Still, people need to be accountable for their work, and a new accounting system needs to be in place to measure progress, set up milestones, and prioritizing work.

4. The counterpart

Most of the research and literature agree that the Lean Startup Method has successfully adopted learning as a critical success process; the iterations between the product or services with the final customer in a continuous feedback loop is also out of the discussion. The lean method has reduced risk and somehow opens a path for entrepreneurs to reduce risk when it does not use the traditional planning and strategy long term that other organizations require.

However, the Lean Startup Method failed in some aspects that are relevant to consider. According to Still (2017), the “phase of value-proposition discovery is less adequately addressed, and that of growth discovery, with its emphasis on building on a scalable, sustainable business, does not seem to be addressed with the presented innovation approaches from the research context.”

On the other hand, it has also studied the impact in the reduction or adversity to risk for these entrepreneurs when adopting the LSM. “the Lean Startup precipitated a significant decrease in entrepreneurs' proclivity to take risks.” (Ladd, T., & Kendall, L., 2017).

5. In the end

Entrepreneurship is a vital activity that keeps the world moving. Thanks to entrepreneurs, visionaries, and people capable of creating things not seeing before, such as computers, the internet, smartphones, video conferencing, and pads, are a reality nowadays and even necessary for products created thanks to them.

Entrepreneurs and Startups are equally needed, but the rate of failure is still high compared to organizations already established and with long term plans and goals that they usually achieve. It is vital to have a methodology that reduces failure, manages risks, and helps startups evolve into an established business.

To do that, business models and management concepts have to adapt to help startups survive and focus on their product and the customers' needs that they don't even recognize at the moment. However, it is equally important to evaluate both sides, the successful models and the multiple failure cases, to find a balance that could help new ventures succeed and sustain.

Finally, LSM is a methodology that has shown success but is not the panacea for all cases. To see results and evaluate performance will be needed time and future research to assure that this model is most effective and can benefit startups and entrepreneurs to behave them safe to the shore.

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Angelica Larios, MBA, PMP, is a project manager with more than 20 years of experience in implementing software projects related to business intelligence, planning and budgeting, and financial consolidation solutions based on software applications to support the business decision process. She is the owner of ALACONTEC, an I.T. consulting company founded in Latin America. She has held several professional positions in private and public organizations, such as the Health Ministry in Mexico as an I.T. director and as a business manager for several Mexican firms.

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