



CENTER FOR INCLUSIVE ENTREPRENEURSHIP

EMPOWERING COMMUNITIES THROUGH BUSINESS



Lean Launch Handbook

business planning in action



Introduction

Welcome to the Tier 3 Training

You've already been through the Ice House Training and the Reality Check. The Ice House training explored to the entrepreneurial mindset. In Reality Check, you outlined the basics of your business idea and conducted a feasibility check. You created an Opportunity Discovery Canvas and a cash flow projection for your business. These documents highlight the initial assumptions you've made about your new business.

In Tier 3, we are taking those assumptions out for a road test. At the end of these eight sessions you will have concrete information supporting (or disproving!) your original assumptions.

Why do this? Two reasons:

1. Businesses often fail because they “build something no one wants.” You will have a chance to confirm that, in fact, enough people want your product or service to generate sufficient income for you, and to justify the effort involved in building a business.
2. The fear and uncertainty of a new business often stops people from taking that first step. They take class after class, talk about their idea endlessly with friends and family, even write a business plan, but never actually get started. This class aims to reduce the uncertainty by testing your assumptions, and reduce your fear of the unknown by getting you out and talking to potential customers.

If you are hoping for another class where you can just sit back, listen to lectures and do exercises out of a notebook, you are in for a surprise:

- You are going to be pushed out of your comfort zone--in a good way.
- You will “get out of the building” to talk to potential customers, suppliers, competitors and mentors. **Be prepared to conduct five to ten personal interviews a week. This is critical to the success of the process.** Have a calendar or other system to schedule your interviews.
- Depending on your business, you may be creating web sites, marketing materials, product prototypes and YouTube videos.
- You will be up in front of the class describing your experiments and the results. Be prepared to hear the truth, however blunt, from your classmates and your interview subjects. No one helps you by telling you your product is good when it isn't.

Class Format

Each session will consist of videos and/or lectures and discussions. Between classes there are interviews and other work to do.

Videos--The videos are available on Udacity.com, an online teaching platform. The instructor is Steve Blank, a college professor and entrepreneur, who has been one of the leading voices in the “lean startup” movement.¹ One of the tenets of the lean movement is

direct contact with potential customers to get firsthand knowledge of the market and of customer needs. Other principles include testing all assumptions about the business, and the ability to quickly adapt to new information.

Throughout the videos, Steve Blank talks as if you are part of a team of founders working on a tech startup. Don't worry about that--that's his background, and the method applies to all sorts of startups. The class will function in part as your team.

Some of the videos delve too deeply into business theory for our purposes--don't worry about that, either--we'll be skipping them. If you feel you're in over your head, *don't panic*. The class discussion after the videos will put these concepts into terms you can use in your own business.

Hypothesizing is a fancy word for guessing--Part of the class discussion is making assumptions that apply to your business, and then creating experiments to test those assumptions.

Huh? What that really means (as Steve Blank explains) is that you're taking a guess about what you will learn ("I'm guessing half the people I talk to eat fast food at least three times a week.") Then you talk to people to see if your guess was correct or not--by asking people about their problems, what they think about your product, the price, etc.

Whether your guess was right or wrong, you always "win the bet", because you'll know more than you did before. If your guess is ~~wrong~~ invalidated, you make a new guess/theory for your next round of interviews. You gradually home in on what your customers problems are, what possible solutions are (that customers would pay for) and how much they would pay. You will be continually revising your each area of your business model canvas (you'll find out what that is in the first class).

This process is the essence of the Build-Measure-Learn cycle described by lean startup thinking. This is a great outlook to build now:

1. Don't think of your "wrong" guesses as failures--call it *validated learning*. You know some idea is right or wrong **because you've tested it**, and
2. As a business owner, you should always be listening, testing and learning--about your customers, your products and your business.

At the end of the class, you should have a much better idea of what will work in your business and what won't. Some of you may feel you've proven your concept and be very close to actually starting your business. Feel free to cut to the head of the line and launch while still in the class--your insights while actually in business will be invaluable not only to you, but to your classmates. If you need a business plan (e.g., to present to a lender) you will have much more concrete information with which to proceed.

Lectures--Your instructor will take time after each video lesson to discuss any topics that may have seemed too theoretical and put the in everyday terms that can be used in your business planning.

Discussions--Discussions are different from lectures--you need to jump in here. Ask questions, offer feedback to your classmates, and speculate on how you can use the techniques you're learning in your own business.

Additional Lessons--In a few cases there will be additional material that expands on information presented in the videos.

Homework--Every week your homework includes interviewing five to ten prospective customers. You will progress from **learning about the problem** to **proposing a solution** in these interviews, always with the goal of gaining insights about your customers--their "pains and gains." There will usually be additional work that will help you apply the week's lesson to your business.

Viewing Videos in Udacity

We will be viewing the videos in class. However, you may want to watch them on your own, before or after class. To do that, you need to create a free account on Udacity. You'll find instructions on accessing Udacity in a separate section, "The Udacity Classroom,"

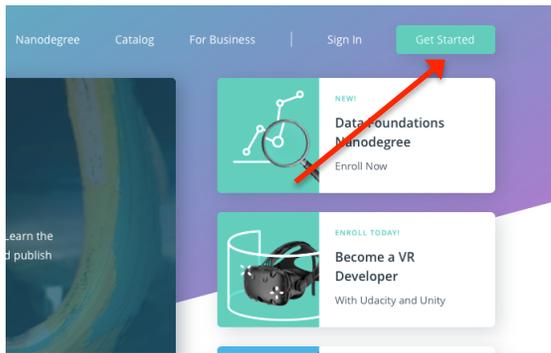
So--let's launch!

Join the Udacity Course

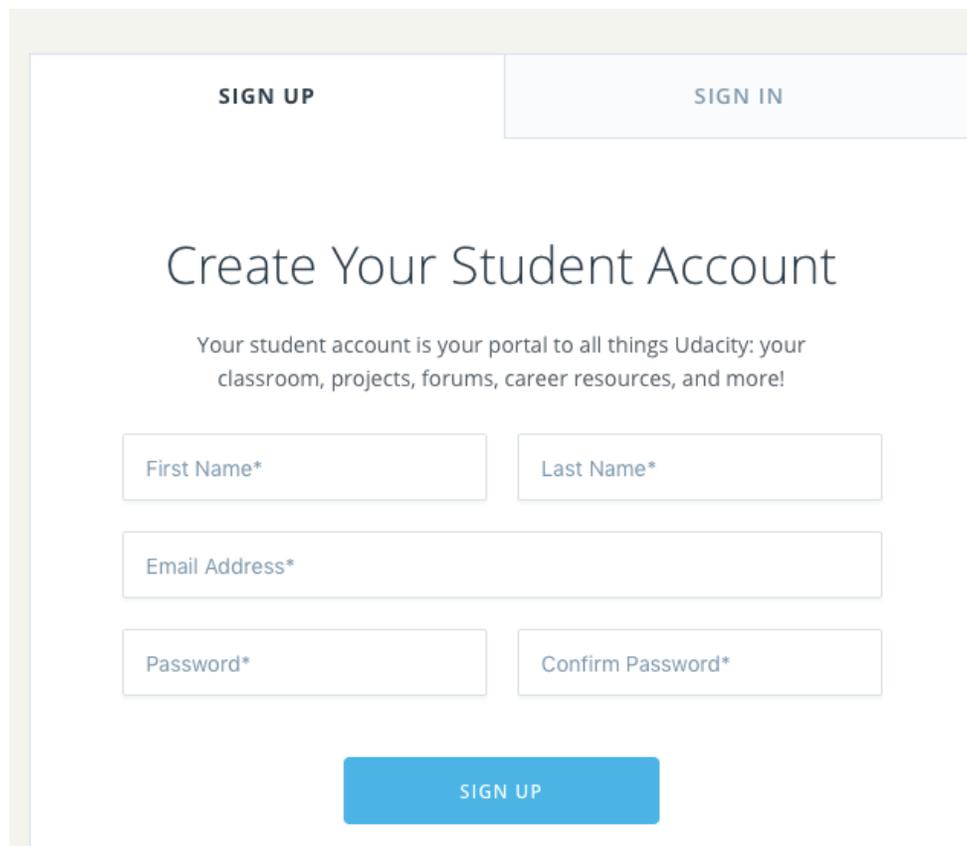
1. Go to Udacity.com,



2. click on "Get Started"



3. Enter the requested information to create an account.

A screenshot of the Udacity "Create Your Student Account" sign-up form. At the top, there are two tabs: "SIGN UP" (active) and "SIGN IN". The main heading is "Create Your Student Account". Below it is a sub-heading: "Your student account is your portal to all things Udacity: your classroom, projects, forums, career resources, and more!". The form contains five input fields: "First Name*", "Last Name*", "Email Address*", "Password*", and "Confirm Password*". At the bottom, there is a blue "SIGN UP" button.

4. Select Course Catalog



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How to Build a Startup

Intermediate

Learn what it takes to build a successful startup using the Customer Development process, where entrepreneurs "get out of the building" to gather and iterate on feedback.

2.2K

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7. After selecting the course, you can choose to view the course syllabus and more information on the author. You can also proceed to the class itself by clicking on “Start Free Course.”



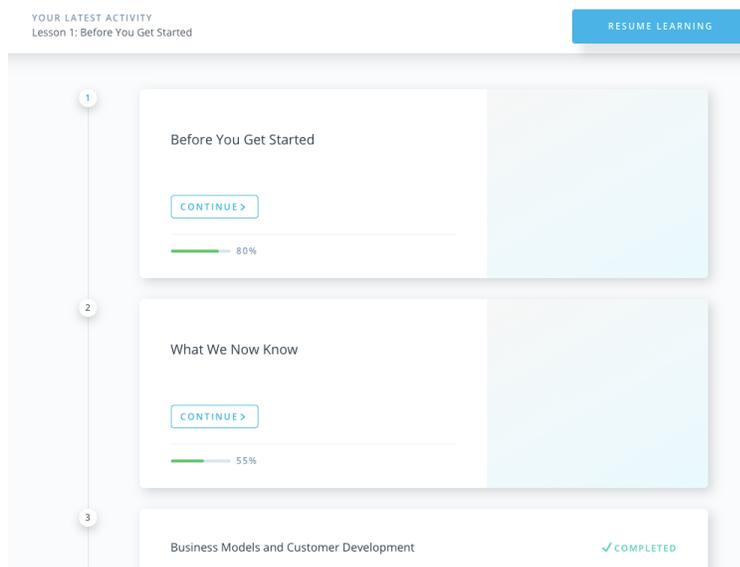
About this Course

In an introduction to the basics of the famous Customer Development Process, Steve Blank provides insight into the key steps needed to build a successful startup.

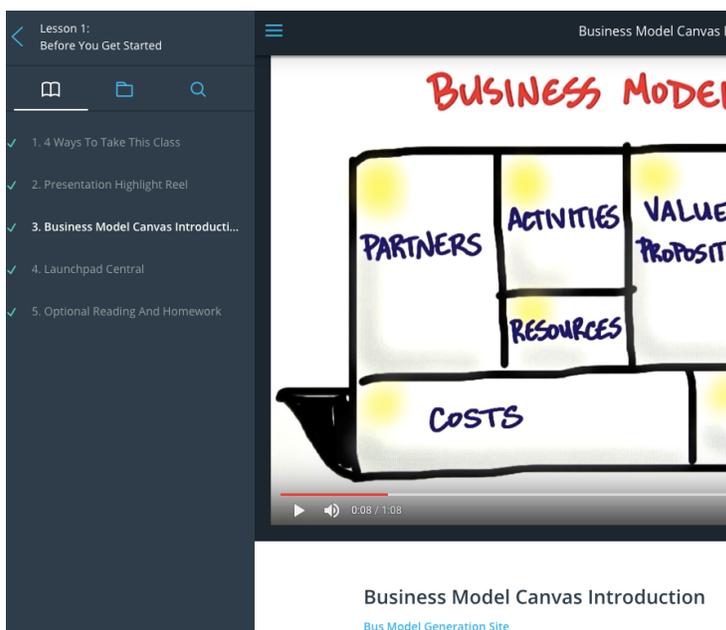
You're in! Go on to **Navigating the Classroom.**

Navigating the Udacity Course

1. The class consists of a series of eight lessons. You can navigate through the lessons by scrolling down the screen:



2. Each lesson contains a series of brief videos. The menu to the left tells you where you are in the sequence for that lesson.



The Business Model Canvas & Customer Discovery

Session 1

Outcomes

In this first session you will be introduced to your instructor, your classmates, and an approach to business planning sometimes referred to as Lean Methodology. You will complete a Business Model Canvas for your business idea. You will also begin the Customer Discovery process by interviewing your prospective customers to learn more about their problems that need solving.

THE BUSINESS MODEL CANVAS

Viewing

Udacity Classroom: “How to Build a Startup: The Lean Launchpad”

1. Lesson 1: What We Now Know (approx. 5 minutes)
 - *Ways to take this class*
 - *Presentation Highlight Reel*
 - *Business Model Canvas Introduction*
 - *Launchpad Central*
 - *Optional Reading and Homework*
2. Lesson 2: What We Now Know (approx. 5 minutes)
 - *What We Now Know*
 - *(skip to below)*
 - *Customer vs Product Development*
 - *Why Do Startups Fail?*
 - *Why Do Startups Fail Solution*
3. Lesson 3 Business Models and Customer Development (approx. 13 minutes)
 - *What Is A Company?*
 - *Business Model*
 - *Business Model Canvas Value Proposition*
 - *Business Model Canvas Customer Segments*
 - *Business Model Canvas Channels*
 - *Business Model Canvas Customer Relationships*
 - *Business Model Canvas Revenue Streams*
 - *Business Model Canvas Key Resources*
 - *Business Model Canvas Key Partners*
 - *Biz Model Canvas Key Activities*
 - *Business Model Canvas Costs*

Class Exercise/Discussion

Using the Business Model Canvas form included in this section and sticky notes, complete a canvas for your business idea. You will be updating the squares with revised sticky notes as you test your assumptions throughout this course. Be prepared to share your canvas with the class. This canvas will change throughout the coming weeks--that's the whole idea.

CUSTOMER DEVELOPMENT

Viewing

Udacity Classroom: “How to Build a Startup: The Lean Launchpad”

Lesson 3 Business Models and Customer Development

- *Hypotheses or Guesses*
- *Customer Development Process*
- *Four Phases Of Customer Development*
- *Four Phases Of Customer Development Solution*
- *----(skip Customer Development Done By Founders) ----*
- *Hypothesis Testing*
- *Minimum Viable Product*
- *Pivot*
- *Customer Discovery*
- *Phases Of Customer Discovery (Q&A)*
- *Minimum Viable Product*
- *Customer Validation*
- *Market Opportunity Analysis*
- *Total Available Market*
- *Jersey Square Market Size*
- *Market Size Summary*
- *Estimate SAM*
- *Jersey Square Introduction*
- *Jersey Square self-intro*

Class Exercise/Discussion

- Remember, a pass/fail test is just you taking a guess about what people will say or do, and then observing the results. With that in mind, what are some of the guesses you have about your customers and their problems?
- Can you theorize on how you would craft an MVP for your business idea? Share your ideas and experience with others in the class

Homework:

I. Market Opportunity Analysis

You will look at TAM and SAM to determine whether your proposed market offers the potential you're seeking.

II. Customer Discovery

This assignment asks you to theorize on the top three problems facing your prospective customers. You will then “get out of the building” and begin the first round of what will be many interviews. Aim for 5-10 interviews per week. Update your business model canvas and be prepared to share what you've learned with the class.

III. Looking Ahead: Feel free to preview *Lesson 2: Value Proposition* in the Udacity classroom.