Lean Venturing

Presentation at the European Institute of Technology
Munich, November 28th, 2012
Business Models /// The dichotomy between technology- versus market-driven innovation is being replaced by ...
Business Models /// … a systemic view on a multitude of innovation constituents within a business ecosystem.
» Business Models /// The new complexity call for simplified frameworks.

“A mediocre technology pursued with a great business model may be more valuable than a great technology exploited via a mediocre business model“ (Henry Chesbrough 2010).
Business Models /// Definitions.

- “An architecture for the product, service and information flows, including a description of the various business actors and their roles; and a description of the potential benefits for the various business actors; and a description of the sources of revenues” (Timmers 1998).
- “The business model is an abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives” (Al-Debei et al. 2008).
- “Business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams” (Osterwalder et al. 2005).
- Aziz et al. (2008) defined business models also based on their components. Within their literature analysis they identified 54 business model components within various literature sources.
Modeling New Business /// Eight basic components.

- Value Proposition
- Customer Touchpoints
- Distribution Channels
- Revenue Model
- Capabilities
- Partners
- Cost Structure
» Starter Kit /// Exploration of the basic options.

Sticky Notes + Pens
Modeling New Business /// *Increasing degrees of maturity.*

**Value Proposition**
- To be discussed or vague
- Well defined
- Qualified (through feedback)
- Quantified
- Proven

Prio-Rating:
To Do:
Person in charge:

**Customer Segments**
- To be discussed or vague
- Well defined
- Qualified (through feedback)
- Quantified
- Proven

Prio-Rating:
To Do:
Person in charge:

**Customer Touchpoints**
- To be discussed or vague
- Well defined
- Qualified (through feedback)
- Quantified
- Proven

Prio-Rating:
To Do:
Person in charge:

**Distribution Channels**
- To be discussed or vague
- Well defined
- Qualified (through feedback)
- Quantified
- Proven

Prio-Rating:
To Do:
Person in charge:

**Revenue Model**
- To be discussed or vague (revenue channels & price)
- Well defined
- Qualified (through feedback)
- Quantified
- Proven

Prio-Rating:
To Do:
Person in charge:

**Capabilities**
- To be discussed or vague
- Well defined
- Qualified (through feedback)
- Quantified
- Proven

Prio-Rating:
To Do:
Person in charge:

**Partner**s
- To be discussed or vague
- Well defined
- Qualified / first contacts
- Quantified / contract
- Proven / integrated

Prio-Rating:
To Do:
Person in charge:

**Cost Structure**
- To be discussed or vague
- Well defined
- Qualified (through feedback)
- Quantified
- Proven

Prio-Rating:
To Do:
Person in charge:

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» Lean Venturing /// *Five E Framework.*

- **Steering & Coaching**
- **Evolution**
  - Plan long-term sustainability
- **Experimentation**
  - Test critical assumptions and learn to scale
- **Evaluation**
  - Evaluate business model configuration
- **Elaboration**
  - Detail selected business model aspects
- **Exploration**
  - Basic Vision and Business Model

**Startup new ventures**

/// Dr. Henning Breuer, November 2012
Lean Venturing /// Five E Framework.

- **Steering & Coaching**
  - Evolution
    - Scenario Methods, Idea Backlog
  - Experimentation
    - Split Tests, Cohort Study, User Clinics
  - Evaluation
    - Customer Development Interviews
  - Elaboration
    - Ethnography & Blue Ocean
  - Exploration
    - Business Modeling Starter Kit, Futures Workshop

- **Startup new ventures**
At the Telekom Innovation Laboratories we modified and simplified an already simple reference model to lower entry barriers for entrepreneurs and business leaders. A game-like do-it-yourself toolbox supports small teams in thinking about new business in a structured way. It enables first hand experiences in simple **business model ideation**.

**Instant business modeling** is a moderated workshop focusing on **selected components of a model**. Half day sessions enable a rapid turnaround of results. Out of scope is an in depth or creative elaboration of business models.

**Full Scale Project**

The full scale business modeling project covers a five step process including a initial domain research, a modeling workshop, prototyping through illustration and storytelling, stress testing through feedback, and business process modeling resulting in a **business case**.

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Elaboration /// Exemplary templates & methods

Value Proposition
Feel important
Sub-Drivers
- Realise identity
- Proud of achievement
- Show off to family
- Show off to friends
- Show off to peers
- Show off to community
- Show off to society

Customer Segments
Freddi, 29
- My job allows me to spend a lot of time at the beach. I like it to invite our business partners to nice places and to make everyone happy.

Customer Touchpoints:
Aware / Attract
Enquire / Select
Buy
Start-up
Use
Change
Renew

Revenue Model
Reduce
Eliminate
Create
Raise
Value Innovation

Capabilities

Partners

Cost Structure

Initial needs
Advanced offering
Vision

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Elaboration /// Example MagiTact (Telekom Innovation Laboratories)

- Development Kit
  - MagiTact API
  - MagiTact SDK
  - Developer Support
- Primary Revenue Stream
  - Leads to increase of App offering
- Independent Developers (B2B)
- Mobile App Stores
- Secondary Revenue Stream
  - Leads to awareness for MagiTact
- End-users (B2C)
- Secondary Revenue Stream
  - Leads to Upsales by Apps
- MagiTact Apps
  - MagiGuitar
  - MagiMusic
  - MagiBoxing
- Mobile App Stores
  - iOS
  - Android
  - BlackBerry

Secondary Revenue Stream
- Leads to awareness for MagiTact

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Evaluation /// Analysis and evaluation of assumptions.

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Experiments /// A „sprint plan“ to validate assumptions.

Learn whether to teak, pivot or persevere. If necessary iterate your business model and product definition.

Collect ideas to study and solve problems of your customers. Build just resulting product features and render ideas tangible as just-enough-prototypes.

Minimize the total time through the loop!

Measure how stakeholders respond and validate your business model and product ideas.

Image adapted from Eric Ries, http://theleanstartup.com/principles

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Experiments /// A „sprint plan“ to validate assumptions.

Experiment Report
- Learning Goals
- Metric for Measure
- Experiment Scope
- Minimum Build Plan
- Hypothesis
- Results
- Key Insights and Consequences

<table>
<thead>
<tr>
<th>Idea</th>
<th>Build</th>
<th>Measure</th>
<th>Learn</th>
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<td>4</td>
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</table>

Week 1 Cohort | Week 2 Cohort | Week 3 Cohort | Week 4 Cohort

Example: Access 2020 ///
Unlimited Internet Accessibility, High Standardization, Usage on Demand, Intense Digital Immersion, One–ID Management

Scenario 1: Networked automation is seamlessly omnipresent and helpful

Scenario 2: Problems from missing standards and digital immersion find innovative solutions.

Scenario 3: Access barriers and people struggling with side effects of global transformation.

Activities & Opportunities

2012 2016 2020

Evolution /// Strategies for normative and explorative scenarios

Evolution /// Strategies for normative and explorative scenarios

Iterative Modeling /// Example MagiTact (Telekom Innovation Laboratories)

Demos
Publications
Patents

Gaming
Invisible Signature
Silent Reply
Entertainment Apps
Combined Strategy
Entertainment Apps
API Licensing
Air Control Kit
Commercialization of patents

Usable Results
Results Pending / Prerequisite for Following Steps
Dead Ends (as of October 2012)

/// Dr. Henning Breuer, November 2012
Thank you for your attention!

Contact Information & Publications

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Pauline Tonhauser, Stefan Müller, Sarah Mahdjour, Katrin Lütkemöller, Kristina Feller, Judith Mühlenhoff, Dr. Fee Steinhoff and the whole UDI Team, also the Entrepreneurs Team:
Alexander Krappe, Phillip Schett, Peter Borchers

Publications:
Abstract – Description of method / application cases

A game-like do-it-yourself toolbox supports small teams exploring alternative business models in a structured way.* It enables first hand experiences in simple business model ideation. In a more elaborate, moderated workshop format it also provides the basis for a creative exploration of critical components such as value proposition, customer touchpoints, required capabilities or strategic partners.

The starter kit was developed in cooperation with Telekom Innovation Laboratories and refined throughout more than two dozen business modeling projects since 2010. It will be commercialized as a cardboard game in early 2013.

Needed inputs

- Budget for preparation, moderation and documentation (in the moderated workshop format)
- The project team and ideally external experts in the respective field of business
- Half day for the basic starter kit workshop, full day for the creative workshop format

Results

- A holistic view of the critical issues within potential business models for an innovation project.
- A shared understanding and agreement on the basic model and components.
- In depth (moderated) exploration of the range of innovative options within and between component (business model innovation).

Lean Venturing applies lean (innovation) management principles to the evolution of corporate ventures. Along five levels of maturity a wide range of scaffolding tools and methods is provided. Progress is measured in terms of learning goals to be achieved by the new venture project team.

A five E framework shows how to explore, elaborate upon, evaluate, experiment with and evolve assumptions. Scaffolding tools and methods support the two main sets of activities required within this framework: the creative exploration of new ideas and opportunities, and the iterative specification, quantification and evaluation of assumptions.

Through modular quantification of components, entrepreneurial teams proceed from a business model to a business case. Formative evaluation methods apply an increased fidelity of specifications and granularity for stress tests, ranging from expert and customer development interviews to test market experiments.

### Abstract – Description of method / application cases

Lean venturing applies lean (innovation) management principles to the evolution of corporate ventures. Along five levels of maturity a wide range of scaffolding tools and methods is provided. Progress is measured in terms of learning goals to be achieved by the new venture project team.

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### Objective

- **Design**: Idea development and testing.
- **Creation**: Development and enhancement of creative ideas.
- **Market entry**: Testing and internal alignment.

### Characteristics

- **Qualitative**: Description of components.
- **Quantitative**: Description of components.
- **Static**: Description of components.
- **Dynamic**: Description of components.
- **Structured**: Description of components.
- **Open**: Description of components.
- **Descriptive**: Description of components.
- **Analytical**: Description of components.
- **Internal focus**: Description of components.
- **External focus**: Description of components.

### Application fields

- **Single organisation**: Description of components.
- **Network of organisations**: Description of components.
- **SME**: Description of components.
- **Large corporation**: Description of components.
- **Start-up**: Description of components.
- **Established organisation**: Description of components.

### Application process

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<thead>
<tr>
<th>Amount of time</th>
<th>Costs</th>
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<td>Self service</td>
<td>External expert support</td>
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Abstract – Description of method / application cases

Regularly business partners and corporate stakeholders collaborate in order to order to exploit synergies between their unique capabilities, strengths and interests. In order to do so potential conflicts in interests need to be settled and the most powerful synergies need to be identified.

Win-win modeling is a structured approach to systematically identify the most promising win-win constellations for joint action. First, both parties business models and its components are worked out. Second we conduct collaborate workshops to explore the most promising fields of action, to discuss potential conflicts, and to agree upon shared assumptions.

Objectives

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<th>Ideation</th>
<th>Development</th>
<th>Evaluation</th>
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<tr>
<td>Idenitfiy business opportunities</td>
<td>Design of new business model</td>
<td>Validation (market analysis, expert feedback)</td>
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<tr>
<td>Develop basic business ideas</td>
<td>Redesign of existing business model</td>
<td>Application cases</td>
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Needed inputs

- Business models and related information of the two parties being involved.
- Definition of project goals and responsibilities of each of the parties involved.

Results

- Win-win strategies and how to implement them.