

Nathan
Furr

INSEAD

Learning, Problems,
and Implications

#LeanAOM

Lean Startups and Innovation Strategy
Academy of Management 2018

Lean Startup PDW:

Nathan Furr

INSEAD

The logo for INSEAD, featuring the word "INSEAD" in white, uppercase, serif font on a dark green rectangular background. Below the text is a white decorative flourish consisting of a horizontal line with a small upward-pointing curve in the center.

Two Points

Lean Startup Questions

- How do entrepreneurs learn?
- How do entrepreneurs find problems?
- Unseen implications?

Bigger Questions than Lean Startup

- Related frameworks
- Uncertainty theory
- Ex: Search and bias
- Ex: Radical search

Background

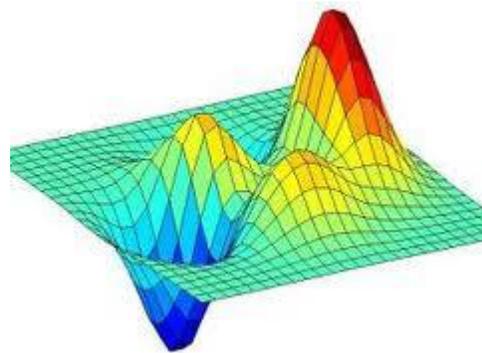
- LS claimed entrepreneurship practicum had engaged in inappropriate theory borrowing
 - Whetten, Felin, and King (2009)
- “Small firms are not little versions of big firm”
- Rapid cycle of testing hypotheses and adjusting-based on learning
- Many potential positive contributions ... but some wrinkles

How Do Entrepreneurs Learn? (Furr, Working Paper)

- Inspired by Mintzberg
 - Followed 10 startups
 - Interviewed every 2 months for 18 months
- Entrepreneurs who learn and adjust ...
 - Engage in cycle of abductive, inductive, and deductive learning
- Entrepreneurs who fail to learn and adjust ...
 - Get stuck in a single cycle (i.e., deductive learning espoused by lean startup)

How Do Entrepreneurs Find Problems

- Molehills problem ...
 - Entrepreneurs engaged in A/B testing and pivoting that leads to incremental improvements
 - Climbing the molehill



Lean Startup and Platform Governance (Furr and Choudary, Project)

- What are implications of lean startup on platform governance?
- Potential positive benefit for platform
- But negative externality for ecosystem
 - Ex: change in Facebook APIs
- Should governance be resolved through LS approach?

Two Points

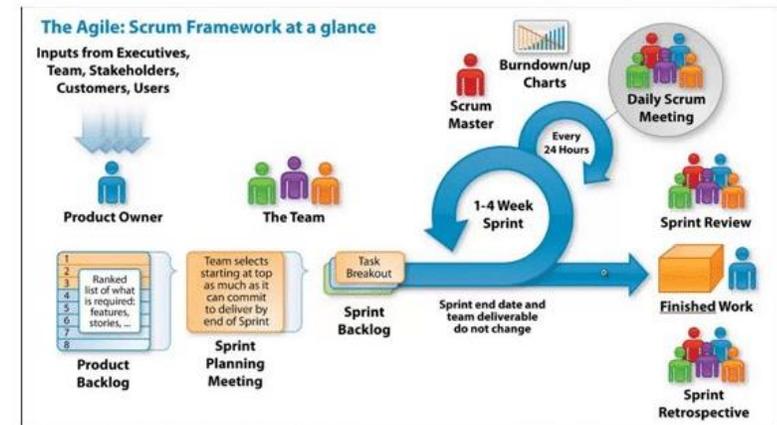
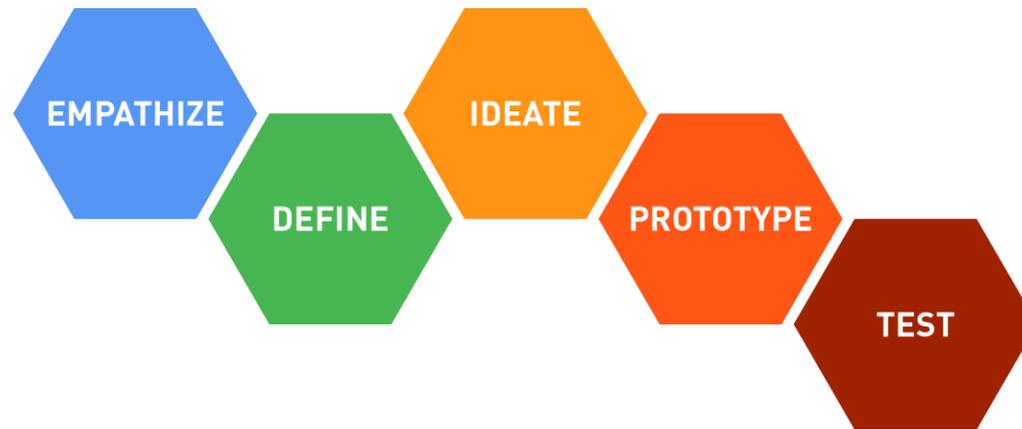
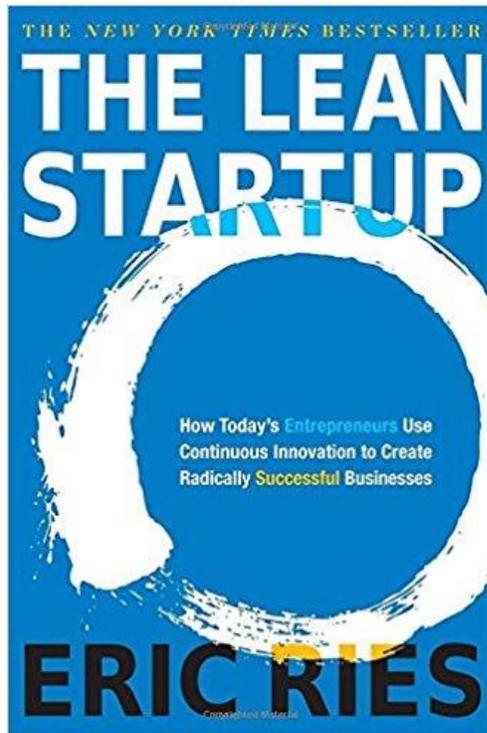
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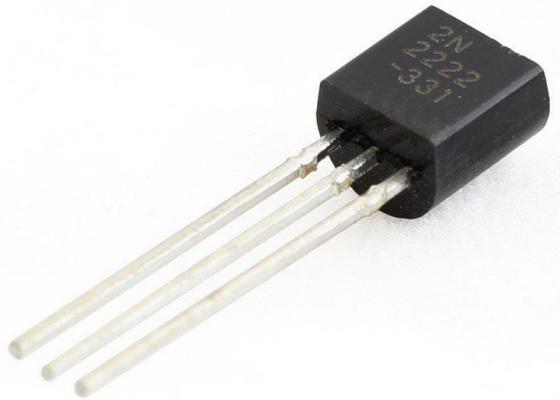
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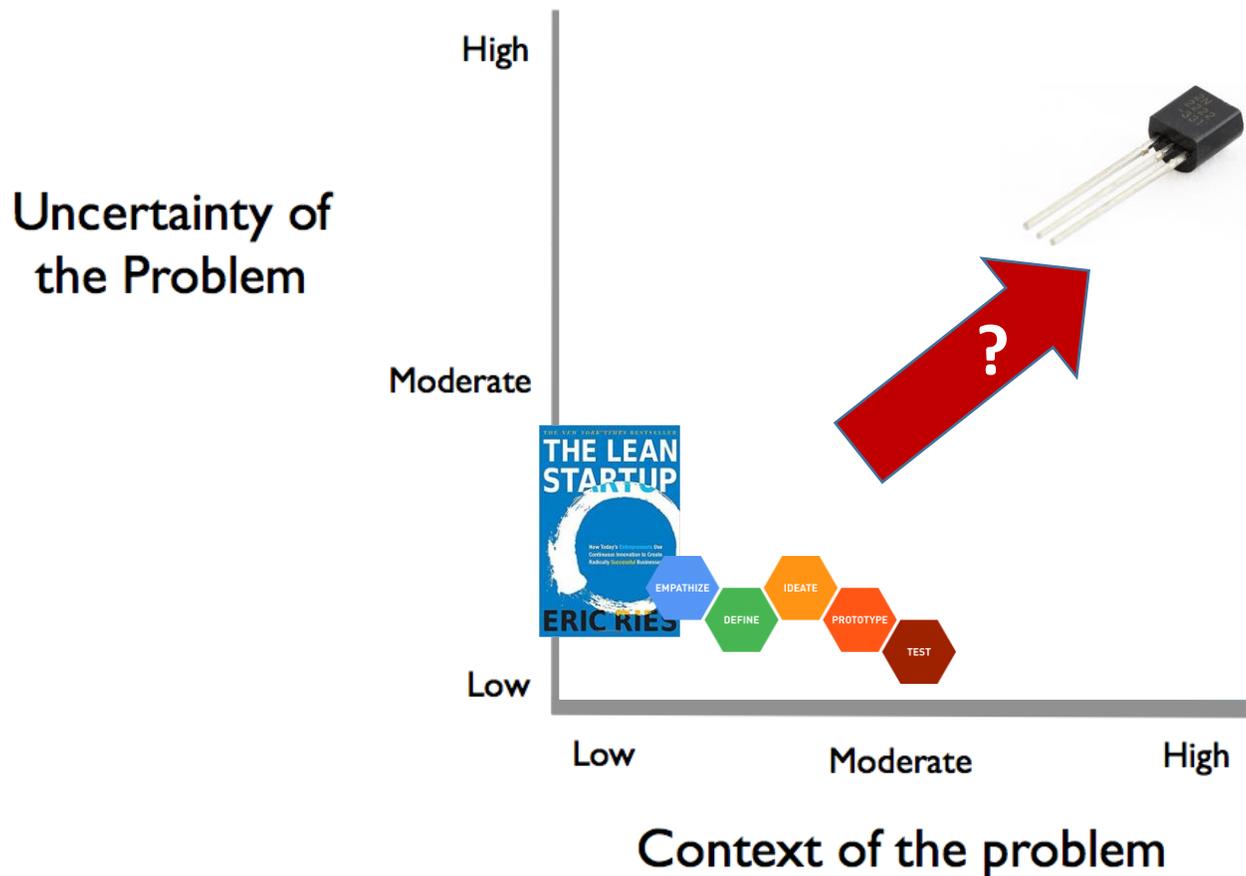
Number of Related Frameworks ... Each Promising to be a Panacea



Something troubling me



Search Depends on Uncertainty and Context (Furr, Nickerson, Wuebker—Working paper)



Incremental Innovation Trap (Furr, Nel, Dyer--Working Paper)

- How to break boundaries for long leaps
 - Science fiction
 - Analog / antilog
 - First principles
 - Exaptation

What If ...

Evidence that Uncertainty Has Increased

- Wiggins and Ruefli (2005)
 - Advantage harder to sustain
 - Not just high tech
- Winter (2012)
 - Life expectancy of S&P 500

Where Does Management Theory Come From?

- Emerged during industrial revolution
 - Transformation of economy from craft-economy into corporations
 - Before industrial revolution virtually all businesses small businesses <30 people. No discipline of management.
- Response to a specific problem
 - Industrial revolution created enterprises of entirely new scale
 - Industries such as railroad, steel, ship building, shipping, real estate, oil, and finance
 - Massive organizations created a new profession: management
- Developed for risk-based problems
 - Coordination, control, and optimization of relatively known problems
 - i.e. how do we make the trains run on time, how do we optimize steel production, ...
- Developed upon risk-based theories
 - Early management training developed by managers and theories based on risk-oriented optimization

But ... Foundational Assumptions Are Different: Risk vs Uncertainty

- Management based on risk
 - Optimization, coordination, and control of relatively known and familiar problems, solutions, and variables
- Innovation based on radical uncertainty
 - Search and discovery of unknown, ill-structured and ambiguous problems, solutions and variables

What If ...

Uncertainty Theory

- Under conditions of radical uncertainty
 - New/overlooked theories
 - Modified theories
- Transition already occurring in academics and practice
 - Emergence of practice across disciplines
 - Ex: design thinking, lean startup, agile software, adaptive military, active learning, ...
 - Emergence in management and strategy
 - Ex: complexity theory, strategy in dynamic markets

Thoughts and Feedback

nathan.furr@insead.edu