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Situating the Construct of Lean Startup:

Adjacent Conversations
and Possible Future
Directions

#LeanAOM

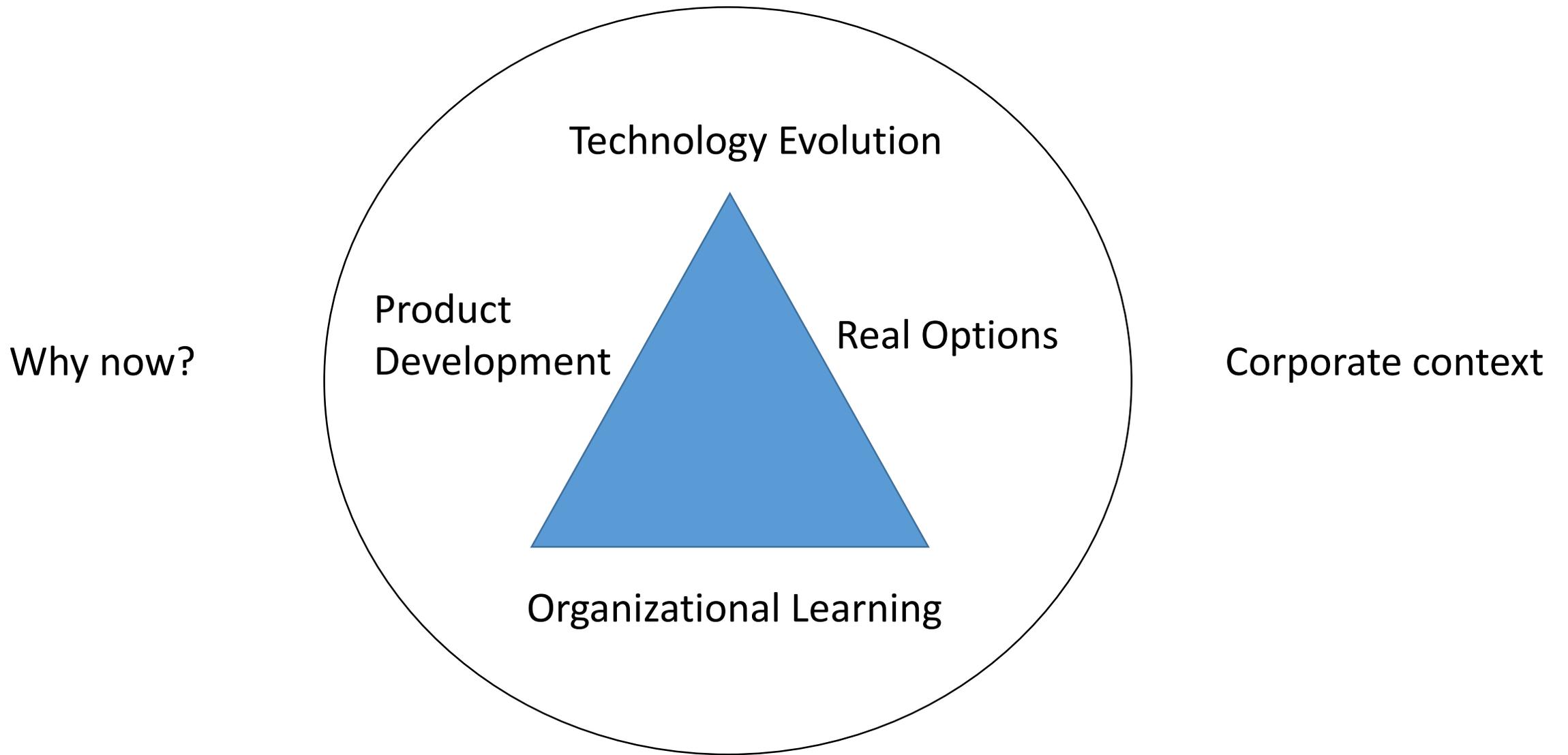
Lean Startups and Innovation Strategy
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Situating the Construct of Lean Startup: Adjacent Conversations and Possible Future Directions

Industrial and Corporate Change, forthcoming

Andrea Contigiani and Daniel Levinthal

Available on SSRN and Research Gate



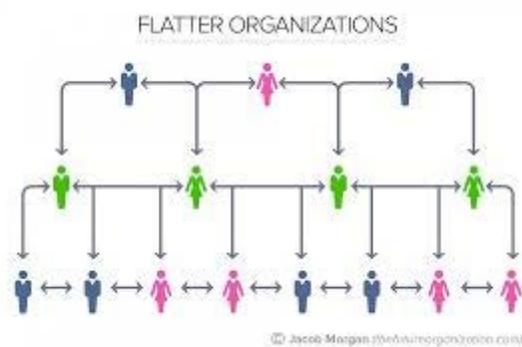
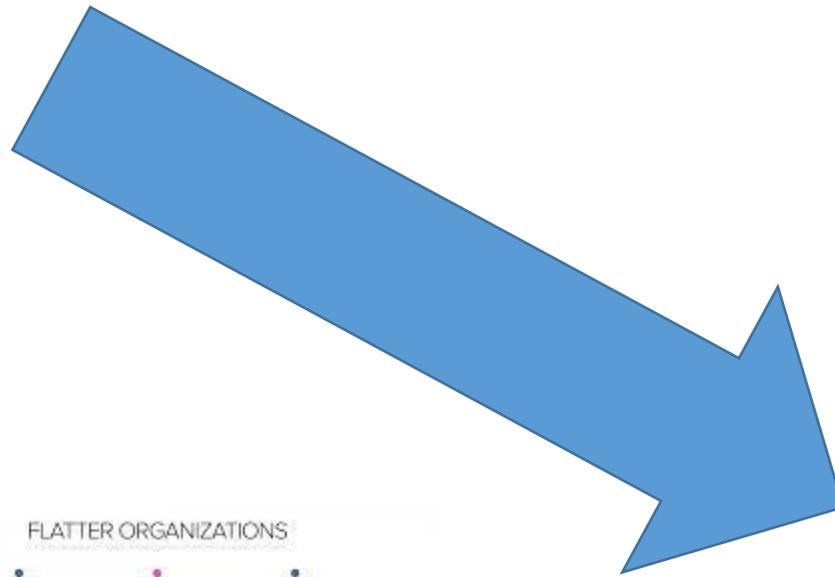
Search for Intersection of “Technology” and “Market”

- Mowery and Rosenberg (1979):
 - Any careful study of the history of an innovation is likely to reveal a **characteristically iterative process** in which both demand and supply forces are responded to. Thus, successful innovations typically undergo **extensive modification in the development process** in response to the perception of the **requirements of the eventual users**, on the one hand, and on the other hand, in response to the requirements of the producer . . . Innovations that are not highly sensitive to both sets of forces are most unlikely to achieve the status of commercial success
- Lynn, Morone, and Paulson (1996)
 - Probing and learning is an iterative process. Firms enter an initial market with an early version of the product, learn from experience, modify the product and marketing approach based on what they have learned, and then try again. Development of a discontinuous innovation becomes a process of successive approximation, probing and learning again and again, each time striving to take a step closer to a winning combination of product and market





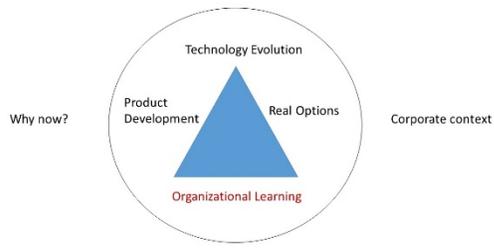
Corporate R&D ---
Stand-alone campus



Shift to business units ---
Closer to customer



Lean Startup



Aspiration-based Learning and Lean Startups

- Stage 1 of technology/market fit and Stage 2 of scaling
 - Exploration and exploitation
- Aspiration level
 - “Traction” in the market
 - What constitutes “traction”?
 - Survival or next “unicorn”?
 - Social comparison?
 - Contrast with corporate entrepreneurship
 - Meaningful incremental returns relative to existing baseline businesses

Why now?

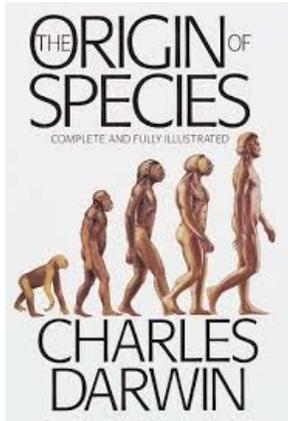


Corporate context

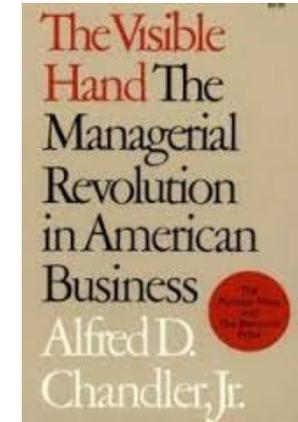
Corporate and Lean?

- What demarks the shift from experimentation (exploration) to scaling (exploitation)
 - Viability or ‘unicorn’?
 - Corporate context --- baseline of existing businesses
 - Aspiration level
- Flexibility of initiatives and parallelism
 - Fluidity of start-up versus “re-contracting” challenges within the corporation
 - Gibbons and Henderson on relational contracts; Klepper on strategic disagreement and spinouts
 - Parallelism of initiatives versus heterogeneity of selection criteria
 - Levinthal, D. (2007). “Bringing selection back into our evolutionary theories of innovation”. F. Malerba and S. Brusoni (eds.). *Perspectives on the Economics of Innovation*. Cambridge University Press
 - Adner, R. and D. Levinthal (2008). “Doing versus Seeing: Acts of Exploitation and Perceptions of Exploration”. *Strategic Entrepreneurship Journal*
 - Levinthal, D. (2016). “Resource allocation and firm boundaries”. *Journal of Management*
- Incentive intensity
 - Plan “B” as pivot towards viability or failure versus plan “B” as rotation to alternative corporate initiative

Experimentation on the Road to Technology – Market Fit



Population level



Corporate Context



Post-Conception Consideration of Startups