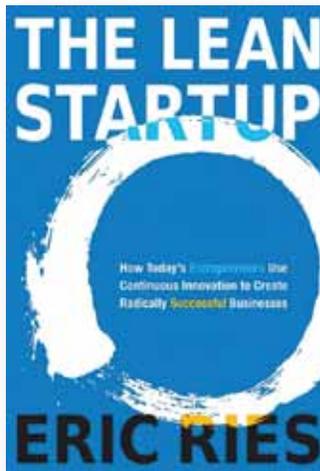




Governments Can Learn from the Lean Startup

By Vincent Reitano



The Lean Startup

Eric Ries

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336 pages, \$28

Both public and private organizations can learn from each other by sharing management principles. Lean management — and particularly *The Lean Startup* by Eric Ries — provides an excellent example. The book’s central theme: “We have wildly divergent associations with these two words, *entrepreneurship* and *management*...it is time to look past these preconceptions.”

Entrepreneurship and management may seem like distinct concepts, but they should both be part of the principles motivating employees in any public or private organization. Every employee has entrepreneurial ability, so organizations should consider eliminating the perception that entrepreneurs and managers are mutually exclusive functional roles.

The public sector can use Lean principles to potentially overcome bureaucratic barriers through innovation and experimentation. As constituents increasingly demand innovation, and public resources become increasingly scarce, Lean management principles can lead to new solutions for government by making organizations sustainable. For example, as governments start to shift toward innovative methods of long-term financial planning, using forecasts and risk-based fiscal reserves analysis, they can use some of the lean startup principles in Ries’ book to guide their efforts.

The first four chapters of *The Lean Startup* — which cover entrepreneurial vision — focus on the relationship between entrepreneurship and management, illustrated by case studies. Next comes “Steer,” which provides concrete steps for how to develop and evaluate products. Finally, the “Accelerate” details how to increase the pace of using Lean principles.

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PART I: VISION

Ries argues that “entrepreneurs have been trying to fit the square peg of their unique problems into the round hole of general management for decades.” This is particularly relevant to governments, which are often inhibited by a bureaucratic management style that stifles innovation.

Viewing government employees as empowered entrepreneurs who have the capability to start solving problems is important, but doing so requires considering who these employees are. Ries discusses “intrapreneurs,” employees who create innovations, although not

via the traditional definition. In context of a government, these employees navigate the implementation of policies and programs. Often, implementation is akin to entrepreneurial management, since it requires charting an entirely new course for a government agency.

“Unfortunately, ‘learning’ is the oldest excuse in the book for a failure of execution...we can all tell a good story when our job, career, or reputation depends on it,” Ries writes. He suggests addressing this concern through the Lean idea of validated learning, where learning occurs in the present and future, rather than after the fact. In terms of government, this shifts the focus from ex-post policy evaluation to constant and ongoing evaluation during program implementation.

Constant evaluation makes more sense than waiting months or years after a program is implemented to evaluate it. Of course, there are constraints on a government’s ability to evaluate social programs, given unique institutional differences and the need to capture changes over time. Still, this Lean principle can be used before develop-

ing a program or policy to ensure that learning is constantly occurring at an organizational level.

After determining the organization’s vision, employees should create product development hypotheses and test them. The experimentation phase might include phasing in a new software product or program, and experimenting with different aspects of the implementation. The goal is to start experimenting early and to change over time. This is known as the “experiment principle,” and it can be challenging for a government to follow — but in fact, experimenting with administrative and policy arrangements may be the primary method by which governments become more innovative. Countless organizations run such experiments, ranging from GFOA to the Knight Foundation. These experiments occur in a variety of settings, such as a school district adopting GFOA’s Best Practices in School Budgeting to connect budgeting with academic achievement and then to measure it. Once experimentation becomes the standard among government employees, innovation follows.

PART 2: STEER

In the second part of the book, “Steer,” Ries discusses the need to take a leap that’s based on experiments, rather than assumptions of the past. Finding out what customers are responding to can be achieved through testing what is called a “minimum viable product,” so learning occurs through testing. Rather than trying to create an optimal product, it might be better to release products earlier and not focus exclusively on the bottom line. Ries notes that early versions of the iPhone and Google search engine were nowhere near as complex as they are today, but were still adopted.

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As experiments are undertaken, some type of measurement is needed, along with a response to these experiments in terms of innovation. Ries suggests innovation accounting, which tests whether an organization’s assumptions will hold in the future. To do so, organizations need a baseline measure that can be adjusted over time to respond to customers in an innovative manner.

PART 3: ACCELERATE

The third section of *The Lean Startup* focuses on how organizations can



accelerate, given the uncertainty that many companies face. Some parts of this section are particular to Lean startups, but ideas about sustainable growth are hugely relevant to public organizations. For example, Ries details the need for sustainable growth by different types of growth engines such as social media to meet the needs of a customer market.

Developing a market is what government does when offering new services to constituents, and in general, organizations must continually adapt to new trends in an agile manner. Of course, agility should not be the sole criterion for change; otherwise, the organization might make mistakes that carry long-term consequences. If a mistake occurs, the organization should look to the root cause — the underlying why — and address it, rather than continuing to provide a product or service that is not up to market expectations.

Governments can learn from root cause analysis. Evaluating programs should be constant, starting from the implementation phase, and it should include both quantitative and qualitative measurement assessments. This can serve as a basis for innovation accounting at a governmental level.

CONCLUSION

Ries ends the book with a critical discussion of Frederick Taylor's *The Principles of Scientific Management*, a classic 20th century work that had a major effect on how organizations of all types operate. He writes: "The productivity gains to be had through the early scientific management tactics... were so significant that subsequent gen-

erations of managers lost sight of the importance of the people who were implementing them. This has led to two problems: (1) business systems became overly rigid and thereby failed to take advantage of the adaptability, creativity, and wisdom of individual workers, and (2) there has been an overemphasis on planning, prevention, and procedure, which enable organizations to achieve consistent results in a mostly static world." Instead, Ries

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asserts that organizations must experiment constantly to provide data and feedback to entrepreneurs.

All types of employees and organizations can learn from *The Lean Startup*. For governments, experimentation and innovation can be used to respond to constituents demands in an agile manner. When searching for an optimal allocation of public services that is sustainable, governments across the country should consider using Lean management principles when budgeting for sustainable governance. ■

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