



How Startup Innovation Works

WHY IT'S IMPORTANT TO START WITH GOOD RESEARCH

Lindsay Tabas

Lady Engineer™



Lindsay Tabas
Confidence Rating Card

Last Updated: 2021

DISCLAIMER: Purchasers, readers, or users of this course and workbook agree to be bound by the following terms: Information contained in this workbook has been created and maintained by Tabas Consulting Group, LLC. The subject is constantly evolving, and the information provided is not exhaustive. The advice and strategies contained should not be used as a substitute for consulting with a qualified professional where professional assistance is required or appropriate, or where they may be any risk to health or property. In no event will Tabas Consulting Group, LLC be liable or responsible for damages including direct, indirect, special, consequential, incidental, punitive, exemplary losses, or damages and expenses including business interruption, loss of profits, lost business, or lost savings.

By using this workbook, you recognize and agree that you shall not use or copy this material, or any of the intellectual property provided by Tabas Consulting Group, LLC, including, without limitation, any trade secrets, whether patentable or not, whether printed or electronic, for any purpose other than those specifically authorized or as directed by Tabas Consulting Group, LLC. Any reproduction of content contained in this workbook is prohibited without the consent of Tabas Consulting Group, LLC. No rights are being granted to you in this proprietary information.

©2017 - 2021 Tabas Consulting Group, LLC.

Table of Contents

LET'S HIT RESET

PAGE 5

INNOVATION FRAMEWORK

PAGE 17

EARLY PRODUCT DESIGN & DEVELOPMENT

PAGE 22

ITERATION MINDSET

Page 25



Preface

This workbook outlines several frameworks to understand how early-stage startups need to approach product design & development. Think of it as a primer. We're working towards a sound, defensible, and strategic vision based on well-executed customer research.

The content within these pages builds on the overview found in my product-market fit ebook “The Candid Truth About Product-Market Fit” and the content in my workshop, “A Better Way to Product-Market Fit.”

Unlike other workbooks in Labs*, this is primarily reading material for you to walk away with a clear understanding of how this program will leverage customer research so you have a clear strategy and the insights you need to continually create and improve your product and marketing initiatives.



Let's hit reset

BREAKING BAD HABITS

Section 1



Pattern Recognition

It was 2012 when I was in Haiti standing in the hills looking around at ill-built cinderblock homes and dilapidated huts they used for schools. Distraught, I walked to the end of this one path to find a wooden platform with 5 outhouses. It was falling apart and feces mixed in with garbage trickling down the hill.

A huge banner across the structure read, "Sponsored by USAID."



When we talk about 90% project failure rate in the startup tech world we have to also understand that over 50% of IT projects fail across companies of all sizes, the Bill & Melinda Gates Foundation often accepts up to 100% failure rate, and the US government continues to fund USAID, though their projects, too, have roughly a 90% failure rate.

Are people that bad at solving problems? Have we become that complacent with mediocrity?

After all, every reason startups fail can be traced back to the same crack in the foundation: Not knowing something crucial about your customer. We get so excited by our ideas that we jump past doing deep customer discovery and validation. We miss important details that leave us guessing and struggling down the road.



Why do more than half fail?

Year-after-year, we just believe the 90% failure rate to be true. We don't really do anything; it just continues to manifest as a given.

But who wants to talk about failure? It's more fun to talk about the big successes!

Yes, and the world has too many legitimate problems for us to solve to keep doing the same thing.

While it may seem easy enough to look at the reasons tech startups fail and just try your hardest to avoid those failures, the fact is, all of these reasons can be traced back to the startup missing some crucial detail about the customer.



NO MARKET NEED

Didn't solve a problem the customer wanted solved.



POOR MARKETING

Couldn't be interesting enough to get their customer's attention.



PRICING COST ISSUES

Could not figure out what the customer was willing to pay.



NEED/LACK BUSINESS MODEL

Didn't offer something customers would pay for.



GOT OUTCOMPETED

Didn't understand their unique value to the customer.



POOR PRODUCT

Ignored their customers' wants and needs.



* CB Insights: The Top 20 Reasons Startups Fail

<https://www.cbinsights.com/research-reports/The-20-Reasons-Startups-Fail.pdf>

What's at the heart of the problem?

All of the popular startup books and content sites are rife with advice for a startup blueprint that keeps producing this 90% failure rate. You will not have success following any of these tropes.

CREATE A LANDING PAGE AND A/B TEST

You first will hear that you can gauge interest and validate the market by creating a landing page with a little bit of information about your business on it. I have heard this advice since 2010, and while maybe a decade ago, site visitors readily opted into these minimalistic pages, it's just not the case in 2021. It is incredibly expensive to A/B test all of the variables that go into a successful digital ad and a high converting landing page. You're better off starting somewhere else.

JUST BUILD A GREAT PRODUCT

You also might hear people tell you that if you build a great product, everything else about your startup will fall into place. I've seen infant-stage founders spend anywhere from \$5K - \$150K on software development and still not have a business. They're spending their life savings or cashing out their retirements because of this trope. This falsity leads founders to invest time and money in creating a lot of product without doing much audience building.

As you build your business, you will learn that customers buy because your product vision matches their "Why?", not the actual "What?" of the features your product offers. So, unfortunately, figuring out the product is only one piece of the puzzle. And, it's not even the easy border pieces.



What's the heart of the problem?

PUT SOMETHING SCRAPPY TOGETHER AND SHOW IT TO CUSTOMERS

Third, you may hear that you can put something scrappy together to get feedback. If you follow this advice, you will invest in design and code, spending valuable time and resources, on a prototype based solely on your ideas. But, what if this starting point is not even close to on target? You may be confident now, but will you look back and think, “Did I put lipstick on a pig?”

Yet, to believe that your idea is the right starting point is the first fundamental error. Most initial ideas are not unique: the average creator experiences a problem, doesn't like the anxiety it produces, so they get excited about the first solution. That first idea is something fairly obvious and not innovative. This explains why app stores are rife with travel, food, and event apps that offer almost identical solutions, all struggling for downloads with no differentiation.

FIND A TECHNICAL CO-FOUNDER

Finally, people say to go straight to software developers or look for a technical co-founder. Or even, they say it's normal to spend \$75K on the first version of an app (aside: it's not!). Founders pause everything to look for a tech co-founder or investor because they feel cornered into thinking those are the only options left.

NONE OF THESE ARE TRUE.



THIS IS WHAT ENDS UP HAPPENING

While I reviewed the secondary research (research I did not conduct myself) with CB Insights, I decided to launch a survey of my own in 2017. I noticed that plenty of my colleagues were licking their battle wounds and scars, too.

4 of 7

PROBLEM

4 of 7 entrepreneurs can succinctly state the problem they are solving.

3 of 7

CUSTOMER

3 of 7 entrepreneurs can detail their ideal customer with sufficient clarity and specificity

4 of 7

VALIDATE W/ MOM

4 of 7 validate their initial idea with family and friends without validating with target customers.

0

TALK TO CUSTOMERS

0 entrepreneurs solicit input from their target audience or customer as soon as possible.

Here's the heart of the problem: a founder's first instinct is to do something besides talking to people that might actually purchase our product.

5 of 7

PRODUCT DESIGN

5 of 7 believe digital product design is something they can do themselves.

5 of 7

PROCESS

5 of 7 struggle to do UX & Product week-over-week on a regular basis.

Furthermore, founders without a product or design background tend to overestimate their ability to do these two things.



Why is it this way?

When I went to the Bay Area in 2005, the region was emerging from the early 2000's dot com crash. I remember stepping onto Google's brand new campus just weeks after I moved thinking my grand plan for startup success was now in action.

I'm sure there are thousands of reasons why our industry continues to fail at astronomical rates; I've distilled my top reasons to six.

HISTORICAL EMPHASIS ON FIRST TO MARKET

The dot com crash could be partially blamed on the industry's emphasis of being "first to market." We've seen enough examples of this strategy not working - Google being one of them - that the industry has largely left this mantra behind. That being said, entrepreneurs still stress about their competitors being ahead of them or another startup emerging to do exactly what they are working on doing.

OBSESSION WITH "STEVE JOBS"

One of the other reasons founders often jump from idea to building out a product is because they think they're Steve Jobs. These are people who truly believe their idea is so groundbreaking that they don't need to listen to their customers or take advice from experts that may know better. They're not interested in learning and they're too headstrong.



<https://youtu.be/Etv7yhpubrg>



AVOIDING THE (HARD) PEOPLE PART

I used to think it was just a problem restricted to engineers, but I've seen enough non-engineers avoid the unpredictability of subjective human nature when designing products.

BELIEF SOFTWARE DEVELOPER IS KING

Software developers created the technology industry. The industry glorifies the late-night hacker, and they have an interest in remaining at the top of the totem pole. Why else would we continue to tell non-technical founders that their first step is to find a tech co-founder? No longer do founders need to be technical to understand how technology solves a problem.

LITTLE DIVERSITY IN THOUGHT LEADERSHIP

I have been working on building out my product-market fit framework, content, and workbooks since the end of 2018. Through this time, I found very little if anything from women on this topic. From one article to its sources thru all of the citations, I saw all of the regular names - Chris Dixon, Brad Feld, Steve Blank, Hiten Shah, and Ash Maurya - all great guys with great ideas. Yet, you can see from the names, the thought leadership out there lacks diversity.

FUNDAMENTAL HUMAN TENDENCIES

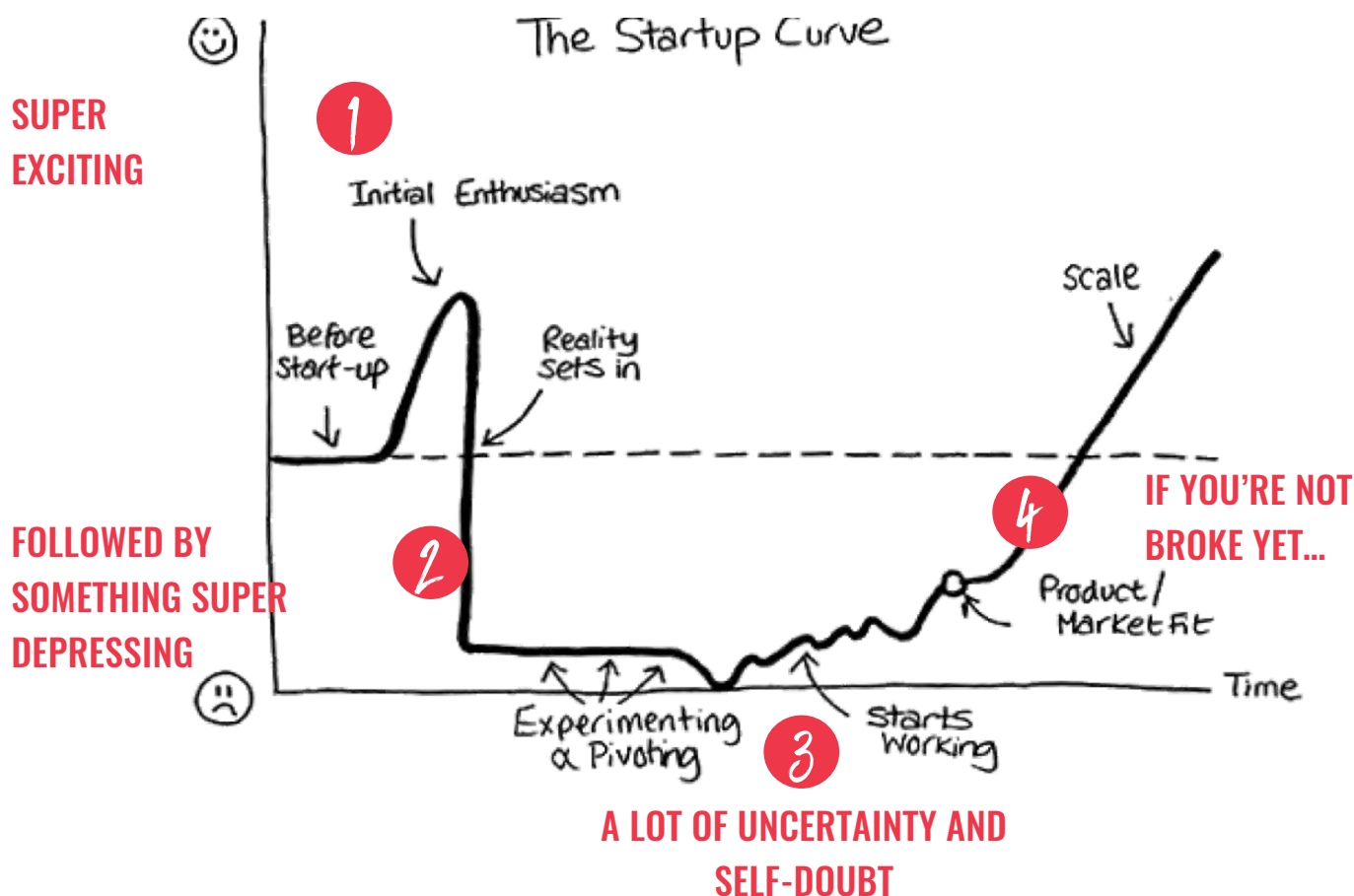
Yet, we continue to fail at building startups at higher success rates because our own human tendencies get in the way. What do I mean? The ego. We all have egos. Sometimes we believe our ideas are the best ideas. And, we don't want to hear anything to the contrary.

*A vague startup blueprint has gaps that are filled in with
our misled and personal preferences.*

You deserve something better.



THIS IS WHAT IT LOOKS & FEELS LIKE



- 1 At the beginning of your startup journey, you have an idea. It's super exciting, you're on a high, and everything feels possible. You start developing your solution.
- 2 Then reality sets in and you're at an all-time low. You have spent money on product development and you're not sure who's going to buy this thing. A really big high, a really big gamble, followed by a really deep, deep low. That's terrifying.
- 3 If you make it past that caustic dip, you end up muddling in the dirt. Entrepreneurship is already filled with uncertainty and self-doubt. But you're out a ton of money on product development and you're desperately trying to find customers.
- 4 So then *maybe* you get to the point where it does start working. And, *maybe* you figure it out and hit that product-market fit inflection point. If you're not broke yet...



WHAT IS PRODUCT-MARKET FIT SUPPOSED TO BE?

As a useful term, “Product-Market Fit” has jumped the shark. The definitions are all over the place and we, the startup community, continue to fail the same way over and over again.

CAN PRODUCT-MARKET FIT BE AN INFLECTION POINT?

From the previous section, you can see that you cannot afford to wait too long without talking to customers.

Yet, that four-step approach feels exactly like the standard story I just told you on the previous page. This approach causes a lot of problems. Mostly, entrepreneurs spending a lot of money developing a product based on their vision with loose input from outside sources. Then, they search in earnest for a customer to pay for their product.

CAN PRODUCT-MARKET FIT HAVE DIFFERENT BENCHMARKS?

Well, it would certainly be helpful to have smaller milestones based on a startup’s specific stages so we can catch ourselves earlier in the process. Also, for those of us evaluating startups: we can have benchmarks that de-risk even the earliest stage ventures.

What does “jumped the shark” mean?

Good question. There was a tv show in the seventies called Happy Days and the main character’s name was Fonzi. Years into the series the writers created a scene where Fonzi did a water ski jump over a shark. At that point, the audience observed that the show had run out of ideas and came up with a zany plot. The term is now used to describe something that is past its creative peak.

PRODUCT-MARKET FIT CANNOT BE A SINGLE INFLECTION POINT

You cannot afford to pursue product-market fit until after the product is built. It's not something we can wait to do later. You do not want to launch products and then try to find customers. That leaves way too many assumptions unknown and you out-of-pocket up front.

The number one reason startups say they fail is because they launch to no market need. Why is there no market?



Because those entrepreneurs built a product without much consideration for an exact customer segment they could serve. If you treat product-market fit as a single inflection point, you open yourself up to launching to no market need.

Instead, we need to replace Product-Market Fit with “fits” that can be achieved at every stage of development. More importantly, these fits need to track our success from the very beginning.



Summary of What We Know

If all the following is true...

- 01 // STARTUPS CONTINUE TO FAIL BECAUSE WE IGNORE CUSTOMERS**
- 02 // WE KEEP DOING THIS FROM THE VERY INCEPTION OF OUR IDEAS**
- 03 // “CUSTOMER” AND “MARKET” ARE SYNONYMOUS FOR THE SAME THING**
- 04 // THEREFORE PRODUCT-MARKET FIT CANNOT BE AN INFLECTION POINT.**
- 05 // WE NEED BETTER MEASUREMENTS AND MILESTONES, PARTICULARLY AT THE EARLIEST OF STAGES**
- 06 // THESE MEASURES WILL HELP US DE-RISK OUR INVESTMENTS, BOTH FOR ENTREPRENEURS AND INVESTORS**

Then, the innovation community needs better.



Innovation Framework

ALIGNING MARKET & PRODUCT FROM THE BEGINNING



Section 2

Innovation Cycle Framework

Below I present to you 7 new benchmarks in the evolution from an entrepreneur's original spark thru scaling.

Every startup business is broken into three main stages:

1. Problem Exploring
2. Solution Finding & Iterating
3. Growing

Within these three main stages, I detail benchmarks to replace broader and more ubiquitous definitions for Product-Market Fit. As this workbook is meant to be an initial overview, I'm going to focus the following pages on the first two benchmarks under Phase 1: Problem Exploring.

PHASE 1: PROBLEM EXPLORING



Founder / Problem



Problem / Value

PHASE 2: SOLUTION FINDING



Value / Prototype



Prototype / Pilot



Pilot / Product

PHASE 3: GOING BIG



Product / Launch



Launch / Scale



Problem Stage Benchmarks

PHASE 1: PROBLEM EXPLORING



Founder / Problem



Problem / Value

Founder / Problem Fit

The #3 reason startups say they fail is that they didn't have the right team. "Not the Right Team" just means the founders or the people they hired were not willing to do anything to solve the customers' problems.

From the very beginning, you need to push yourself to stick with the problem you want to solve. You do this by diving into market & customer research, interviewing a wide variety of potential customers, and listening to people talk about their problems.

In forcing yourself to explore the problem from other peoples' perspectives, looking for something truly significant to solve, you'll also struggle. That struggle will test whether you have Founder/Problem Fit.

Let me explain this test. A few years ago, an acquaintance took me out to dinner to express her frustration with her full-time career and ask me questions about entrepreneurship. She said she had a startup idea regarding pulling together all healthy food stores, restaurants, meal delivery, and meal planning services.

If she really wants to do this, she needs to speak with potential customers! So I decided to role play as a potential customer of her service and told her to ask me questions about what I currently do to find healthy food options. My friend could not stay focused on asking me questions and listening to my answers for even ten minutes. She lost interest that quickly!



You must be so interested in the subject matter that you're pursuing that you really enjoy meeting new customers and people, and listening to their experiences, insights, and hurdles. If you can listen to 20-30 people speak for 30 minutes on the topic with very few words coming out of your own mouth, then you have the passion to forge ahead.

In pushing yourself to connect with customers and really listen to them, some of the things you'll be answering include:

- How am I or how is my team uniquely suited to solve this problem?
- Team background and history in this space
- Evidence of grit and commitment
- Rolodex in the industry, advisors willing to make important connections

Right team, right time, right skills, passion, commitment, connections. Check them all.



Problem / Value Fit

You do not want to jump to a solution if you cannot convey a clear, compelling problem statement. If you don't have it you haven't done the requisite work to ensure there's a problem or opportunity worth solving.

You also can not move forward if you're target audience is "some version of everybody". Before embarking on a prototype, you must connect with a very, very specific early segment.

- Is this a problem worth solving?
- Is it a vitamin or painkiller?
- Are there customers willing to commit up front, either money or time, at a chance to solve this problem?

Notice that getting Founder/Problem & Problem/Value fit does not yet include details of the solution. You need a problem where people get really, really excited just at the thought that you could make it go away.

Not having these two fits is how the typical startup journey fails from the get-go—we experience a problem, jump to a solution and validate our solution idea, selectively listening to only the feedback we want to hear. Then, we think we have a business!

A problem can only be a business if you're obsessed with it and there are early customers that will pay you to solve it.

You need a problem where people get really, really excited just at the thought that you could make it go away.



Early Product Design & Development

**FROM EARLY CUSTOMER RESEARCH TO
YOUR FIRST PROTOTYPE**

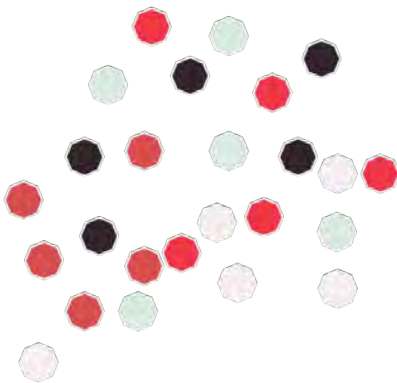


Section 3

Your Product Development Journey

When it comes to designing and developing your product, Labs* is based on the following model. We begin with exploring the problem you want to solve and the opportunity for you to seize, while also triaging the customer segments that have the largest pain

ALL YOUR RESEARCH



A PROBLEM STATEMENT



AN ORDERLY LIST OF CUSTOMER NEEDS YOU CAN SOLVE

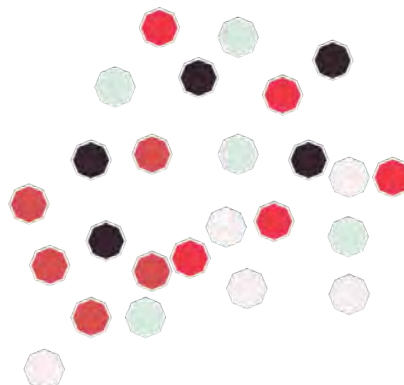


Then we'll determine the *most valuable problem (mvp)* for you to solve. This will guide early product iterations. With The Real MVP, we'll explore all of the possible solutions or next feature sets out there, picking the best ones for you to pursue.

MOST VALUABLE PROBLEM



ALL OF YOUR IDEAS



FILTERED THROUGH

COMPETITION

EARLY-EVANGELIST

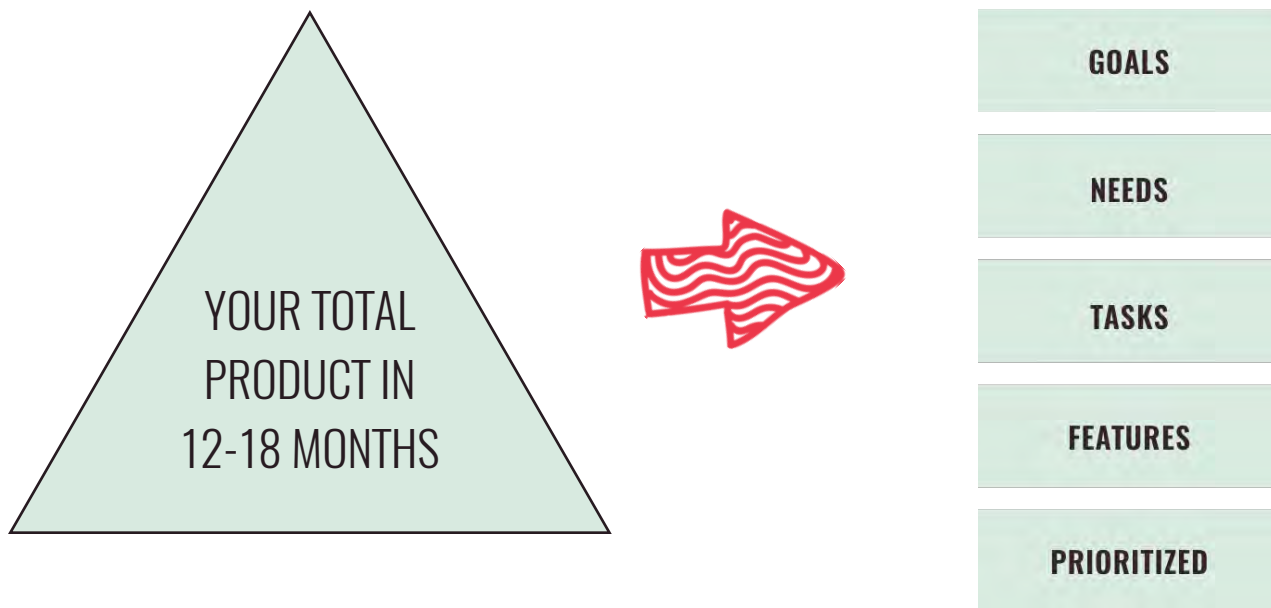
TARGET MARKET

DIY SOLUTIONS

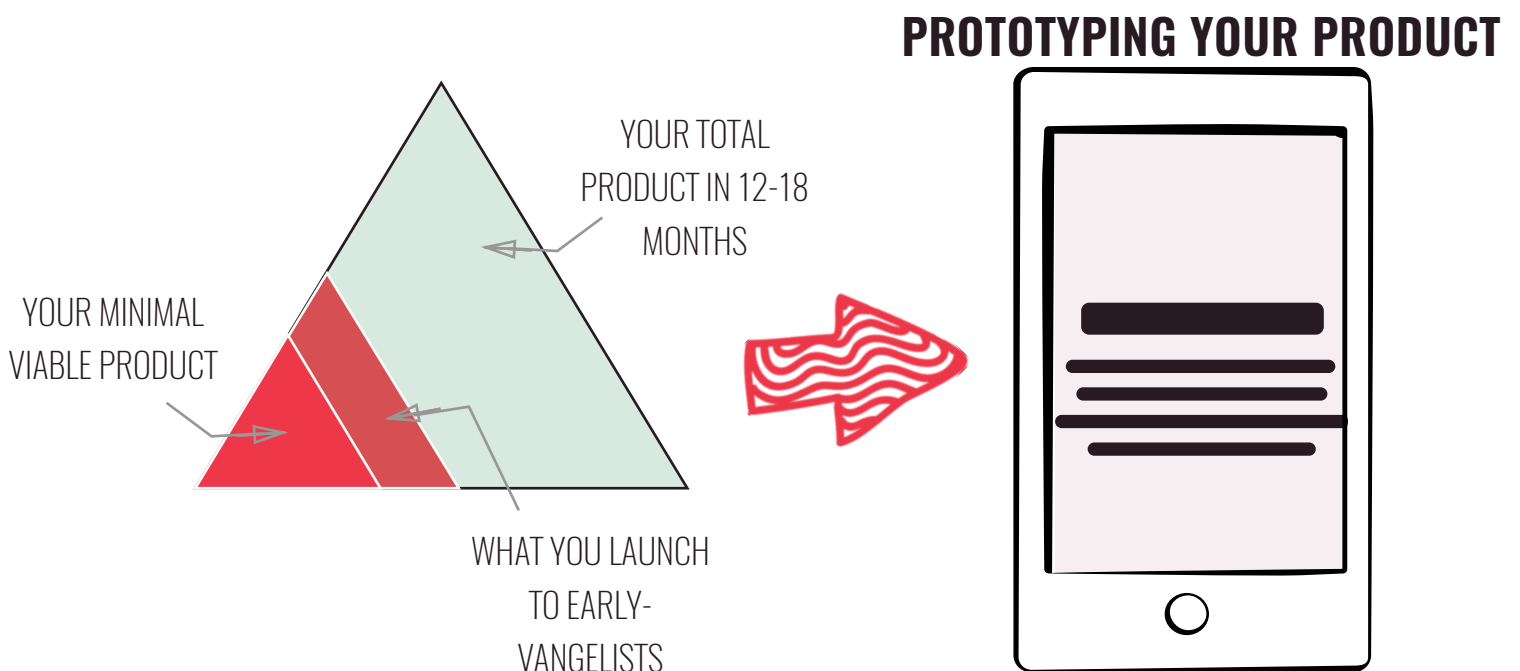
DIFFERENTIATORS

The Journey (2 of 2)

Filtering your awesome ideas and directions through your keen insights into the competition and your early-evangelist, you'll have a big vision for what your product can be in 12-18 months



Then, we have to be realistic about the product & feature updates you can launch with quickly to test your business model. Once we have this strategy, we'll prototype your product, start getting feedback, and building the longer term roadmap.



Running Iterations

ITERATION MINDSET



Section 4

Don't Hate, Iterate

PHASE 1: PROBLEM EXPLORING



Founder / Problem



Problem / Value

Now that you understand the overall journey of early product design & development, your charge is to:

- (1) establish a sound strategic vision based on well-executed customer research, and
- (2) create a first prototype that is based on real insights from actual people.

You have several starting points to establish the strategic vision before building a prototype: market research surveys and customers interviews are the most popular. In subsequent workbooks, we'll talk about connecting with the right people, asking the right questions, and identifying the right feedback to act on.

Along this overall journey of product design & development, you're going to constantly iterate. All the new insights will inform your next steps, next set of questions, and next set of people to interview.

Now you need to learn how to iterate! Of course, this is another area that is hard to decipher if you have not done product iterations professionally in the past. First, I will put you in the right mindset, then I will show you what our first few iterations will look like.



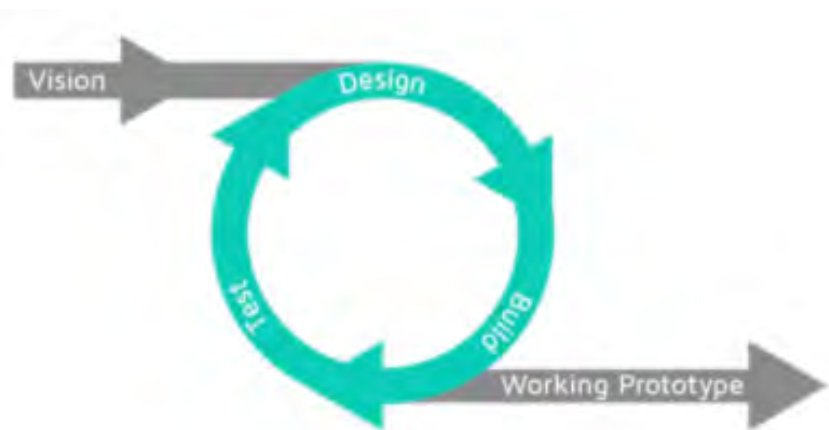
One Way to Skin The Cat

Have you seen this model before?

Proponents of Agile Software Development tout the idea of Design > Build > Test

It's only partially correct.

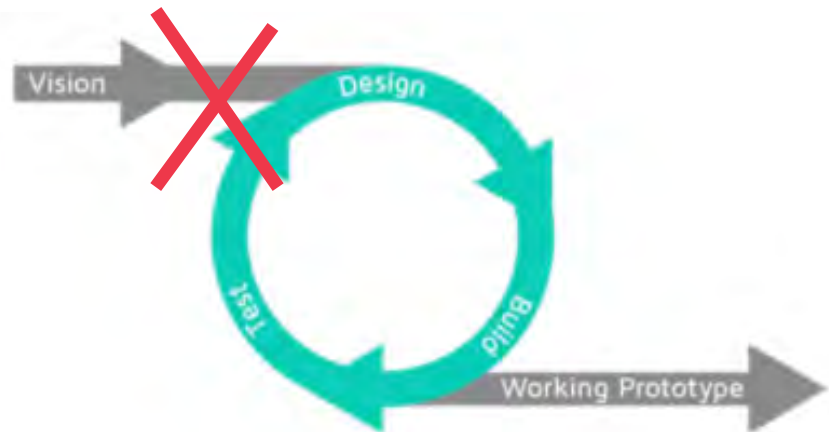
What's wrong?



What happens when you go from Vision to Design?

This says that you have an idea ("vision") and go straight to designing it.

You know this: we always do research first.

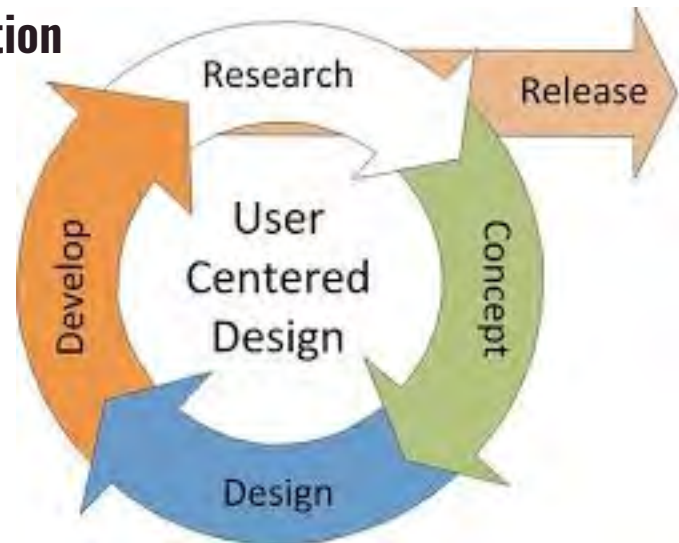


The Better Option

***Slight* but important differentiation**

Always start with research.

Validate your vision, ideas, product features, new marketing tactics, and everything else before you launch. Do research to get customer feedback outside of your team.



BUT, it's *not so easy* to go from RESEARCH to CONCEPTS & DESIGN
(in fact, it's kind of the silent killer for startups)



When you collect a lot of data, feedback, stories and input it can be super overwhelming to know how to distill the information.



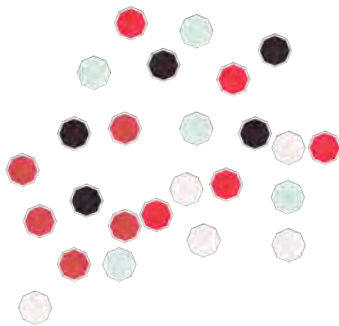
It can also be scary with feelings of anxiety and danger. We lose confidence when we hear negative feedback so we want to avoid it.



Iteration Planning

This is how we will iterate through the initial stages of early product design & development over the first 2-4 weeks of this program (based on where you are in your startup journey)

ALL YOUR RESEARCH



Research: Start with your current hypothesis

Design: Create an interview script

Build: Execute customer interviews

Test: Evaluate insights

A PROBLEM STATEMENT



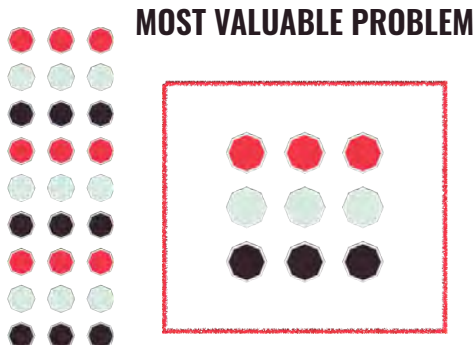
Research: Use the insights from the previous iteration

Design: Come up with an overall problem statement & updated hypotheses

Build: Execute more customer interviews and other research

Test: Evaluate insights

AN ORDERLY LIST OF CUSTOMER NEEDS YOU CAN SOLVE



Research: Use the insights from the previous iteration

Design: Order all of the possible problems

Build: Identify the Most Valuable Problem

Test: Test how your audience responds





Thank you!

STARTUP INNOVATION: WHY IT'S IMPORTANT TO START WITH GOOD RESEARCH



AUTHOR

Lindsay "Taybiss" Tabas

Phone

Phone: +1 978 822 2726

Skype: lindsaytabas

Online

Email: hi@lindsayt.com

Website: www.LindsayT.com

