GHISLAIN CLAUDE EMMANUEL CHASSAGNE

AN EXPLORATION OF THE LEAN STARTUP PHENOMENON AMONG
BRAZILIAN DIGITAL STARTUPS

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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Entrepreneurship

Adviser: Prof. Dr. Tales Andreassi

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ABSTRACT

Too many startups abort for launching products that nobody wants and standards approaches like business planning and rigorous product development have failed to diminish the number of startups failures. That is why a new methodology called “The Lean Startup” has gained, for a few years, an important popularity among entrepreneurs that seek to reduce their risk of failure. The Lean Startup methodology was developed by Silicon Valley entrepreneurs to help startups to find the right product/market fit without spending a huge amount of money. Moreover, the Brazilian startup environment has been booming for the last few years in the wake of the last successful Brazilian cash outs. However, very few academic research have been conducted to explore the phenomenon of Lean Startup in Brazil. The purpose of this report is to identify which concepts of the Lean Startup methodology are applied in Brazil and understand if the approach is adapted regarding the specificities of the country. The results of this study have been collected through in-depth interviews with entrepreneurs operating in Brazil. The first conclusion is that Brazilian entrepreneurs are familiar with the Lean Startup approach and some of them have applied the main principles. Second, many interviewed entrepreneurs have encountered difficulties implementing the methodology, in particular during the “get out of the building” phase. Finally, interviews showed that the Lean Startup methodology might not always be relevant to succeed in Brazil due to the size of the market and the high level of competition. It was found for the entrepreneurs interviewed that “running fat” instead of “running lean” can be an efficient approach to win in the Brazilian market in specific situations.

KEY WORDS: Entrepreneurship, Startup, Lean.
RESUMO

Demais startups abortam por lançar produtos que ninguém compra e o uso de metodologias tradicionais como o planejamento de negócios e o desenvolvimento rigoroso de produto não conseguiram diminuir o número de falhas de startups. É por isso que uma nova metodologia chamada "The Lean Startup" ganhou, por alguns anos, uma popularidade importante entre os empresários que buscam reduzir o risco de fracasso. A metodologia Lean Startup foi desenvolvida por empresários do Vale do Silício para ajudar startups encontrar o “product/market fit” sem gastar uma enorme quantidade de dinheiro. Além disso, o ambiente de startup brasileira foi crescendo nos últimos anos, na sequência dos últimos sucessos brasileiros. No entanto, poucas pesquisas acadêmicas têm sido realizadas para explorar o fenômeno da Lean Startup no Brasil. O objetivo deste relatório é identificar quais são os conceitos da metodologia Lean Startup aplicados no Brasil e entender se a metodologia é adaptada em relação às especificidades do país. Os resultados deste estudo foram coletados por meio de entrevistas com empresários que operam no Brasil. A primeira conclusão é que os empresários brasileiros estão familiarizados com a metodologia Lean Startup e alguns deles têm aplicado os princípios fundamentais. Em segundo lugar, muitos empresários entrevistados encontraram dificuldades na aplicação da metodologia, em particular durante o "get out of the building" fase. Por fim, as entrevistas mostraram que a metodologia Lean Startup nem sempre pode ser relevante para o sucesso no Brasil para os empresarios entrevistados, devido ao tamanho do mercado eo alto nível de competição. Verificou-se que "running fat" em vez de "running lean" pode ser uma estratégia eficiente para vencer no mercado brasileiro em alguns casos específicos.

PALAVRAS CHAVE: Empreendedorismo, Lean Startup
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1 Introduction

This section consists in introducing the research topic, exposing the research question and the objective related to the master thesis.

Entrepreneurship has been studied as an academic research field since Schumpeter (1934) described entrepreneurs as an innovator who disrupt markets by using new combinations. After that, many researchers have published materials to demonstrate that entrepreneurship is one of the main catalysts of the global economic growth (Nadiri, 1993; Crosby, 2000). Nevertheless, a study that received much attention in the United States shows that most of startups fail (Ghosh, 2010). This high failure rate – around 75% - led to the emergence of a new entrepreneurial literature that will be gathered under the name of Lean Startup approach in this master thesis.

Initially introduced by Steve Blank, a Stanford’s entrepreneurship academic and later developed by one his student Eric Ries, the Lean Startup approach became very popular in the startup community and in the academic world during the past decade (Blank, 2012). The Lean Startup methodology aims at decreasing the number of startup failures by providing a scientific approach of experimentation that emphasizes on the importance of learning from the customers. The observation that has been made by Blank (2006) is that too many startups fail building a product that nobody wants using the traditional approach, which consists in business planning and rigorous product development.

Regarding Brazil, interest for entrepreneurship got stronger at the end of the 90’s (Dornelas, 2008) and the country is now considered as a country of entrepreneurs (Aidar, 2010). The first identified wave of Brazilian Internet startups appeared around 1998 during the hype of the global Internet bubble. As only a few ventures survived the bubble burst in 2000, very little startup activity has been recorded in the whole South America until the selling of Buscapé to Naspers for $342 million in 2009. The selling of Buscapé marked the beginning of an interest for startups in Brazil that contributed to the success of famous Internet startups like Peixe Urbano and Dafiti in the years 2010-2012.

Eric Ries’s book about the Lean Startup was translated in Portuguese and published in Brasil in 2012. Until now, only little research has been conducted to explore the implementation of the Lean Startup methodology in Brazil and the barriers encountered
by ventures that decided to implement it. The phenomenon of Lean Startup in Brazil has
been studied by a quantitative approach (Ribeiro, 2014) but never through a qualitative
study.

That is why, the purpose of this thesis is to qualitatively investigate the phenomenon of
Lean Startup in Brazil and seeks to evaluate whether the methodology is followed and
how by a panel of successful startups.

In order to fully address the topic of this master thesis, the following research question
will be studied:

- **How the Lean Startup methodology is implemented by Brazilian digital
  startups?**

This study is divided in five main sections. The first section examines past researches
related to the subject and addresses an examination of the Lean Startup concept. In part
two, the research methodology is described along with the explanation of the research
approach and design. Then, the empirical results from the interviews are presented. In
part four, the results of the study are discussed and the Lean Startup approach is
confronted to the empirical results. Finally, the conclusion will remind the main findings
of the study and include a discussion of this thesis’s academic contribution, its limitations
and suggestions for future academic research.

While it was interesting to measure the application of the Lean Startup methodology
through a quantitative approach (Ribeiro, 2014), the attention will be restricted here on a
restricted panel that will give an insight of the utilization of the Lean Startup approach in
Brazil. I make no claims here that the selected ventures are representative of the whole
Brazilian startup environment.
2  Literature Review

2.1  Entrepreneurial decision making

How to successfully introduce an innovative product to the market has been debated for many years in the entrepreneurial community. The long-established product development model executed by legion of entrepreneurs, which consists in launching a product after consequent market research and business planning has been criticized for the past decade. Entrepreneurs and investors are not satisfied with the amount of money and amount of time needed to launch a successful startup (Ries, 2011). Furr & Ahlstrom (2011) raised that today, the most prevailing process for entrepreneurs to launch their businesses is still really similar to the product development process and consist in having an idea, gathering resources with the help of a detailed business plan, developing a product, perfecting it and selling it to the customers. Except from an introductory market sizing, customers are most of the time not involved until the end of the process and only after that a significant amount of money has already been invested in the company (Blank, 2006).

During the first step of the “traditional product-based entrepreneurial model”, entrepreneurs generally have an idea of what they think that could be a great product or service. They will then ask their acquaintances for feedbacks and will decide to build their company if the idea had success among family and friends.

Figure 1: The traditional product development model (Furr & Ahlstrom, 2011).
Nevertheless, Mac Grath & MacMillan (1995) showed in their research that even though the product development model might make sense for well-established enterprises, it is less relevant for innovative companies. Planning can work for big companies because they already know who their customers are and what they want. However, startups are often characterized by a high degree of uncertainty, which means that entrepreneurs mostly rely on simple assumptions to start new ventures (Blank, 2006). That means that entrepreneurs should identify the right problem and real customer expectations before starting to execute (Ries, 2011).

The most important assignment for entrepreneurs then is to adequately manage the uncertainty correlated to the creation of an innovative company (Sull, 2004). Thus, a topic that has been more and more discussed by researchers lately is the role of planning regarding the high degree of uncertainty inherent to the world of startups.

2.1.1 The role of planning in entrepreneurship

A common advice given to entrepreneurs is to prepare a solid business plan before they start building their company (Furr & Ahlstrom, 2011). Preparing business plans has even been acknowledged to be the essential component of entrepreneurship classes (Honig, 2004; Hills, 1998) in management schools. However, even though business plans have become a fundamental component for launching new ventures, the importance of business planning for start-ups has been challenged and questioned during the last years (Bhide, 2000; Sarasvathy, 2001; Ries, 2011; ) According to Furr & Ahlstrom (2011), writing business plans is no longer considered as an effective way to succeed from the academic world.

According to Brinckmann, Grichnik & Kapsa (2010), the discussion about business planning for new ventures can be separated into two distinctive groups, the planning school and the learning school. Researchers from the planning school argue that a systematic, prediction-oriented and formal approach leads to superior venture performance (Delmar & Shane, 2003). The other group of academics considers that entrepreneurs should instead concentrate on flexibility, learning and controlling resources (Bhide, 2000). Critics mainly consider formal business plans to be an important
requirement when entrepreneurs are looking to raise money from formal venture capital funds (Lange et al., 2007; Gruber, 2007) meanwhile the business plan in itself is not considered to be a crucial factor for success (Bhide, 2000). Too accurate business planning at the beginning has even been recognized to be counterproductive by some researchers (Alvarez & Barney, 2007).

According to Blank (2006), the common guidance to entrepreneurs, which is elaborating business plans, is not really relevant for startups owing to the degree of uncertainty that they face. Not preparing a business plan or research can even be seen as economically legitimate regarding the economic limits that restraint entrepreneurs’ ability to conduct prior research and analysis (Bhide, 2000). Business planning can also lead to a dead-end where entrepreneurs are unable to revise their objectives (Vesper, 1993) and lack of flexibility. Further, McGrath and MacMillan (1995) developed that traditional planning methods, ordinarily applied in more established companies - that generally focus on accomplishing the initial forecasts - is counter-productive as insisting on following the plan inhibits the process of learning, which is they consider essential for a young venture. Thus, the way of how entrepreneurs discover new opportunities and use them is different from the context of established firms competing in industries with known circumstances (McGrath & MacMillan, 1995). When debating business planning it is necessary to understand the process of how entrepreneurs learn and discover and appropriate new opportunities. We will now pursue this paper by illustrating theories about entrepreneurial decision-making and how entrepreneurs learn by consistently test and modify hypothesis to gauge their business model with their customers.

2.1.2 Making the good decisions

Lately, more and more consideration has been brought to discern what successful entrepreneurs do and which the methods that they use are, especially regarding decision making. Regarding the field of entrepreneurial research, one fundamental aspect is how opportunities are envisaged by the founders of the new venture (Venkataraman et al, 2012).

David Harper (1999) illustrates the entrepreneurial discovery process by adopting the Popperian approach (Popper, 1999) about the growth of knowledge to describe
entrepreneurship and market processes. According to the Popperian approach as developed by Harper, learning is a payback of how entrepreneurs choose to verify particular hypotheses in the marketplace and how they interpret the results conforming to their learning techniques. Entrepreneurship can thus be considered as a kind of scientific process of discovery and learning where entrepreneurs constantly select relevant conjectures to test and then make conclusions about revising them based on what they discover (Harper, 1999).

In Harper’s model, a first issue is initially encountered. This might for instance be an attempt to appropriate the value of an invention. Harper (1999) argues that entrepreneurs develop new business ideas from three major types of empirical theories; theories of latent demand (unsolved problems), theories of production (new combinations) and theories of governance (economic transactions). Hypotheses are then made about how to fix this issue. These hypotheses are then verified in the marketplace where demand, technological feasibility is evaluated. Depending on the result of this market research, hypotheses can be disproved or validated leading towards to a new version of the initial problem. The process will then goes on with a new set of assumptions that are tested in the market. Even though the entrepreneur succeed in solving a particular market issue, new problems will progressively appeared during the process, which means that the entrepreneur will continuously be learning. This model demonstrates to what extent entrepreneurs’ learning process is evolutive and depends on their own actions. How fast entrepreneurs can discover serious mistakes, react and learn from them is induced by the way entrepreneurs proceed to test his hypothesis. Since entrepreneurs can learn from their errors they should detect these mistakes as soon as possible to diminish the exponential growth of the costs inherent to the product development model (Harper, 1999).

A researcher that also clearly based his research on the Popperian approach in the field of entrepreneurship is Donald Sull. By using in-depth case studies on how startups ventures deal with uncertainty, Sull (2004) recommends that entrepreneurs should manage uncertainty by using a disciplined method similar to the process introduced by Harper. Thus, the method relies on three different steps. First, entrepreneurs have to prepare an initial business hypothesis that defines the opportunity and the resources needed to successfully achieve it. The model contains several implicit and explicit hypotheses about different variables such as demand, competition and technology. Firstly, Sull (2004)
highlights the importance of being flexible and identifying all possible threats that could make the venture fail. Secondly, entrepreneurs have to gather resources that are essential to conduct tests in order to verify the hypotheses.

According to Sahlman (1999), holding cash helps to face uncertainty but it can also conduct the venture to additional costs. Thus, entrepreneurs should only raise the amount of money that they need for further experiments (Sull, 2004). Ultimately, entrepreneurs must verify their plans in the market through various and iterative customer research, prototypes or beta customers’ versions. Depending on the result of these tests, entrepreneurs should have the possibility to stop losing money, to modify their hypotheses or to appropriate the created value.

The approach of entrepreneurial learning developed by Harper (1999) and Sull (2004) has also been discussed by McGrath and MacMillan (1995) in their discovery-driven entrepreneurial process, which they characterize as an efficient method to eliminate erroneous assumptions. Discovery-driven method can be used to change hypothesis into knowledge while the company grows, where new data are identified and consolidated into the business plan.

The process is captured in four different reports; (a) a reverse income statement that presumes the economic results needed for the company to be successful, (b) pro forma operations specs that embody the necessary activities to run the venture, (c) a major assumptions checklist that founders use to assure that the main assumptions on which the company’s success is based are verified during the process and (d) a milestone planning chart that indicates when relevant hypothesis have to be tested. This approach can thus help entrepreneurs to verify underlying assumptions and adapt the business model according to the new flow of information and by that get rid of unprosperous concepts before major investments are made. Although these two authors provide methods of how entrepreneurs should constantly establish and test their assumptions in an uncertain environment, they do not develop how entrepreneurs find the initial opportunities that are later verified and adjusted in function of the results of the tests.

2.1.3 Identifying opportunities

How to discover relevant opportunities is also a subject that has been widely discussed in academic papers. Many prestigious business schools around the world
decided to teach causal reasoning introduced by Sarasvathy in 2001, to their student. Causal reasoning is when entrepreneurs have a fixed objective and whose challenge is to find the right means to achieve it. According to Read et al. (2009) this approach does not fit with entrepreneurs. They consider that entrepreneurs should not start with a pre-determined objective in mind, but must struggle to find an issue that need to be fixed, looking around them. In causal reasoning entrepreneurs notably need to anticipate the future, which is really difficult in the case of startups due to the high level of uncertainty (Read et al., 2009).

Regarding startups, a different approach - less common in business schools - seems more adapted, and is actually more prevailing among aspiring entrepreneurs. This approach is called “effectual reasoning”. Effectual reasoning is when an entrepreneur has a given set of means, but no pre-defined objective (Sarasvathy, 2001). In this situation, the entrepreneur use his means to identify a problem that needs to be fixed, which will then be his objective to achieve. Entrepreneurs have three complementary means: who they are (taste and skills), what they know (education and experience) and whom they know (social and professional network). Barney (1991) defines three categories of resources that enable ventures to develop value-creating strategies. These resources are characterized as physical capital resources, human capital resources and organizational capital resources (Barney, 1991). Sarasvathy (2001) considers that these resources correspond to the entrepreneurs’ means in her effectual reasoning approach. According to Sarasvathy (2001), effectual reasoning has four major principles; affordable loss, strategic partnership, leveraging contingencies and controlling an unpredictable future. Affordable loss means that entrepreneurs should diminish their expenses as much as possible in term of time, money and resources before entering the market. Sarasvathy also highlights the importance of finding the right partners to enter the market. Finding the right partners help entrepreneurs to enter the suitable market and will considerably reduce the risk of the future venture (Sarasvathy, 2001). Entrepreneurs also have to know how to leverage contingencies, which is how to benefit from unpredictable events and turn them into profit. The last principle, controlling an unpredictable future, is about how entrepreneurs should try to control what will happen in the future rather than trying to predict it (Sarasvathy, 2001). For entrepreneurs, the main interrogation should not be whether they have an idea but whether that idea is an opportunity (Furr & Ahlstrom, 2011; Maurya, 2012).
However, the main question is about where opportunities occur. Academic research considers that finding the right opportunity depends on different aspects ranging from science evolution to transformations in the socio-economic environment (Shane, 2004).

2.2 The Lean Startup

2.2.1 The Lean Startup Approach

Before embarking on a discussion to assess whether the Lean Startup approach has been used and how among successful Brazilian startups, this section will provide a better insight on what is the Lean Startup methodology.

The Lean Startup approach have been alternatively developed by five main authors; Steve Blank, Eric Ries, Nathan Furr, Paul Ahlstrom and Ash Maurya. Steve Blank (2006) was the first to introduce to the public an alternative framework to the product development model that he named “The Customer Development Model”. This approach describes how founders should test and refine their business assumptions before achieving a sustainable business model (Blank, 2006). Following the method outlined by Blank, Eric Ries, one of his former student at Stanford has popularized the concept of Lean Startup by publishing the best-selling book “The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation To Create Radically Successful Business” in 2011. The Lean Startup approach has been developed on many previous management and product development ideas such as lean manufacturing, design thinking, customer development and agile development (Ries, 2011). This book has known an outstanding success among entrepreneurs all around the world and is at the origin of this master’s thesis. Further, Furr and Ahlstrom has received much attention with their “Nail It Then Scale It” (2011) where they give tips and advice to entrepreneurs based on a two-decade observation of world-class entrepreneurs who succeed and failed. They are considered as good complement to Blank (2006) and Ries (2011) publications by commentators on the websites Quora and Amazon. Maurya (2012) who published the book “Running Lean” also received much attention and is considered as a good complement to Blank and Ries findings.
The Lean Startup approach has become more and more popular during the last years as a method to start and manage a startup, specifically among IT-entrepreneurs (Maurya, 2012). The Lean Startup approach advocates to get off the building and interact with customers to find a sustainable a scalable business model (Ries, 2011). The main objective of the methodology is to avoid building something that nobody wants. It is important to note that Blank and Ries define a startup as “a human institution designed to create new products and services under conditions of extreme uncertainty” (Ries, 2011, p.8). This definition means that, according to them, startup does not have a defined business model yet and has for main objective to find one. The objective of the Lean Startup approach is not to help existing startups to become more successful but to reduce the number of startups failures by helping to focus on what really matter. According to Blank and Ries, too many entrepreneurs fail and waste a lot of money building products and services that nobody wants.

The term lean has first been put forward by Taiichi Ōno, the parent of Toyota Production System, and illustrates the ways to wipe out the seven fatal wastes of manufacturing processes. Just-in-time manufacturing, contraction of batch sizes and acceleration of cycle times (Ōno, 1988), were essential dogmas of the lean manufacturing process that Eric Ries implemented in the development of the Lean Startup methodology.

For a startup, waste is defined as any action that prevents the founders from learning about how to bring value to their clients (Ries, 2011). The term clients has a large signification and combines every external actors for which the startup’s business model could potentially be adapted.

The Lean Startup methodology has been inspired by other management approaches with among them agile development or design thinking. The Customer Development methodology was first introduced by Steve Blank in 2006 in his book entitled “The Four Steps to the Epiphany” and illustrates how entrepreneurs should implement a scientific method in considering and validating business hypotheses through customer feedback. It is a core component of the Lean Startup approach.
The Customer Development Model is based on four iterative steps. First, during the Customer Discovery phase, entrepreneur try to understand the customers’ problems by “getting off the building” (Blank, 2006 p.14) and conducting interviews. This first part is very important as it aims at reconstructing the founder’s vision into nine distinctive parts through the business model canvas (product, customers, channels, demand creation, revenue models, partners, resources, activities and cost structure) and conducting experiments to verify your hypothesis directly with the potential customers. The objective of this first step is to turn hypotheses into real facts or forget about them if they turn to be false (Ries, 2010).

After this phase, the founders will have a full comprehension of customer’s problems or need and overall will be able to measure how much they would be willing to pay for the product. Secondly and after if the customer delivery phase is successful, founders will enter the customer validation phase where they will have to prove that the business model tested in the first step is repeatable and scalable. They will also make sure that it can bring value to a sufficient number of customers to be one day a profitable company (Maurya, 2012). Third, Customer Creation describes how the company create end-user demand and drive customers to its sales channel. Finally, in the company building step, entrepreneurs focus on execution and look for growth by organizing the company into structured departments such as Sales, Marketing, IT....

Furr & Ahlstrom (2011) describe a similar approach but separate the Customer Discovery step into two different distinct phases. The first step is called “nail the pain” and stands for the validation of the problem potential customers have. Secondly, the product or service has to be tested and approved in the “nail the solution” phase.
The core element of the Eric Ries’ Lean Startup approach is the “Build-Measure-Learn feedback loop. The objective for entrepreneurs is to focus on reducing the total amount of time through the feedback loop in order to spend the least money possible. The idea is that the product or service should be tested as fast as possible to confirm or reject the founder’s assumptions (Ries, 2011). This feedback loop has been designed on the model of the Observe-Orient-Design-Act (OODA) loop created by John Boyd as a military strategy to defeat the enemy in the battlefield (Rousseau & Breton, 2004).

The “Build-Measure-Learn feedback loop” is initiated with the release of minimum viable product (MVP) and powered by the learning outcomes from customers’ feedback. At the heart of the start-up efficiency process is therefore – the systematic way of discovering the right things to build and the aim is to move through the loop as fast as possible (Ries, 2011). In practice, customers can hinder the process of rapid movement through the loop when fail to contribute their feedback on the product, adding a human aspect which needs to be explored further when implementing this principle.

Another very important component of the Lean startup approach is the product/market fit. This element is often associated to Andreessen (2007) and measure to what extent a product or service can satisfy a given market. It means that entrepreneur's first objective should be building a product that people really want rather than launching a product that is only based on the founder’s perception of the market and personal hypothesis. According to Steve Blank (2006), it is only when a startup has reached a perfect product/market fit that it business model can be considered as repeatable and scalable. Entrepreneurs should never start the next phase if a product/market fit is not achieved because they will end by serving no customers (Furr & Ahlstrom, 2011).

2.2.2 The Principles of Lean Startup

Each author of the Lean Startup literature provides some key principles that aim to capture their main interpretations of the Lean Startup process. The first principle that these authors share is that founders should “get out of the building” and meet their potential customers. Every entrepreneur start his venture with an idea, a vision and many assumptions. To validate these assumptions entrepreneurs have to meet their future
customers by leaving their office and ask them as many questions as possible to define their issues and understand their reality.

According to Rob Fitzpatrick (2010), this part is often not taken seriously by entrepreneurs although being one of the most important within the customer discovery phase. This part aims at showing entrepreneurs what really matters to the customers and how much they would be willing to pay to solve their problems. In other words, it is about discovering how to make the business succeed. This is much more than just a talk with customers. Many entrepreneurs do it wrong by pitching their idea in front of customers and asking them whether their idea is good or not. The main issue that they face is that people do not have the obligation to say the truth, whereas the founders have the responsibility to find it (Fitzpatrick, 2010). To avoid misleading conclusions, entrepreneurs need to know how to ask the good questions to discover the truth about their business assumptions. Fitzpatrick (2010) has gathered several interview techniques that aim to avoid disappointing customer interviews and bad data collection in his book “The Mom test: How to talk with customers and learn if your business is a good idea when everybody is lying to you”. According to Fitzpatrick (2010), compliments are misinformation and should totally be avoided. To that end, the best way is not to mention the business idea during the conversations and focus on realities that potential customers are sharing. Steve Blank (2012) recommends entrepreneurs to schedule three distinct meetings in order to avoid the risk of entrepreneurs to introduce their idea and miss the point of the discussion. The first meeting should be about the customer and his problem, the second about the entrepreneur’s solution to that problem and the third could be scheduled to start to sell the product. Entrepreneurs should avoid too formal meeting as it is commonly easier to get real insight from potential customers in a ‘quick and casual chat’ (Fitzpatrick, 2010).

These interviews aim at discovering potential customers real problems and how they deal with it considering their actual means (Blank, 2006). However, entrepreneurs should never listen too closely to what potential customers want because they only know what they think they want based on their experience with similar existing products (Horowitz, 2014). This is the role of entrepreneurs to build the right product taking into account potential customers reality and issues.
After the interview phase, a startup should release as fast as possible an incomplete first release to early adopters customers in order to understand the minimum features needed to make the product functional. This first release, called a Minimum Viable Product (MVP) is defined by Eric Ries (2011) as “the fastest way to get through the Build-measure-learn feedback loop with the minimum amount of effort”. The idea is to help entrepreneurs to start the learning process as fast as possible and not wasting time to build a product that nobody wants. It is important to note that a MVP does not aim to answer product design issue but is built to test fundamental business hypotheses. Early adopters (or early-evangelists) are special customers that prefer a product developed at 80% rather than a perfect solution. They are very important to early-stage ventures as they use their imagination to think about the features that a product is missing. A MVP can be a simple landing page to test the interest for a website or a nearly complete prototype with only a few features missing. It has to be the simplest version of the product possible as the main objective here is to test the product/market fit as quick as possible.

Another important aspect of the Lean Startup methodology is the consideration of pivot. When the founders assumptions turn out to be false or are not verified by customer interviews, it is time for the company to consider a major change of direction which Ries (2011) defines as a pivot. This change of direction is done in order to test other assumptions about the product, the strategy or the growth engine. The decision of pivoting should be based on customer feedbacks and validated learning. The number of opportunities for pivots that a start-up has left, in order to profoundly change its strategy, will determine if the startup will succeed or fail. Ries presents six different pivots that a company can execute: Zoom-in Pivot, Zoom-out Pivot, Customer Segment Pivot, Customer Need Pivot, Platform Pivot and Business Architecture Pivot. Zoom in/out refers to changes in product’s feature which becomes either the whole product (Zoom-in) or part of numeral features (Zoom-out). Customer segment pivot changes the segment on which the initial start-up strategy was focused, while customer need pivot diverts from the hypothesized need that the start-up tried to solve. Further, business platform pivot is a change from platform to application and the opposite. Lastly, architecture pivot is when companies are moving from their business model, for example – high end to economies of scale.
Contrary to an established company, a startup by definition, have not got a business model yet. Its main objective is justly to build a sustainable and scalable business model thanks to validated learning. Validated learning comes from experiments and aims to validate the founder's hypothesis about the venture’s business model. Ries (2011) specifies that validated learning has to be backed up by data coming from existing customers to really matter. Learning must be the top priority of any entrepreneur who should “seek and really receive feedback [...] to develop a product or a solution that customers really need rather than just what the entrepreneur imagines that customers need” (Furr & Ahlstrom, 2011 p.51). According to Ries, any activity that does not add value to customers should be considered as waste and any addition of value can be achieved only through the process of validated learning, “demonstrated by positive improvements in the startup core metrics” (Ries, 2011). Conducting experiments is not novel to the Lean Startup methodology and is at the core of every company that aims to innovate and launch new products or service (Thomke, 2001). However, Lean Startup introduces experimentation to achieve a sustainable business model instead of trying to build the best possible product (Thomke, 2001).

Blank (2012) and Ries (2011) claim that premature scaling for a startup leads to failure and advocate that at the beginning all the money should be invested in order to find a profitable business model rather than financing growth.

2.2.3 The Lean Startup in practice

Blank (2012), Ries (2010), Furr & Ahlstrom (2011) have quite the same vision of the Lean Startup methodology: they for example all recommend to work in small groups, use many iterations, start small and develop the products in parallel with frequent customer interaction.

2.2.3.1 Create and validate the assumptions

The Lean Startup methodology starts with the setting of working hypotheses that will later be challenged during physical conversations with potential customers

- Finding opportunities
The first thing that an aspirant entrepreneur has to do is to find a problem to solve for a particular group of people (Blank, 2012; Ries 2011, Maurya 2012). It is important that entrepreneurs focus on a big issue as people are able to live with small problems and will not be willing to pay to find a solution to solve those (Furr & Ahlstrom, 2011).

The authors that we decided to highlight in this master thesis diverge regarding the hypotheses that entrepreneurs should create and test. On the one hand Blank (2012) is convinced that entrepreneurs should set assumptions about the customer’s pain, the product that will solve this pain, who will be the competitors and how the market will be. On the other hand, Ries (2011) and Furr & Ahlstrom believe that entrepreneurs should focus on only two specific assumptions.

On the one hand, Eric Ries (2011) highlights two principal hypotheses on which he considered that a whole business model depends. It includes value and growth assumptions. Value assumption corresponds to how the entrepreneur creates value on a long term period while the growth assumption relates to a stable growth of the company. Both assumptions have to be validated to make the venture succeed (Ries, 2011).

On the other hand, Furr and Ahlstrom (2011) highlight two different assumptions. The first one relates to the difficulty to monetize. The second assumption which is called “the big idea assumption” includes (a) targeted client group, (b) problem, (c) main benefits of the solution, (d) potential competitors and (e) how the potential solution is better than the competitive alternative. “The big idea assumption” can be a revolutionary idea or a “better, faster, cheaper” idea.

In order to validate the problem assumption, entrepreneurs needs, for evaluation, to find potential clients. Entrepreneurs should create a list to help them find smart customers. It should include at least fifty potential customers found in magazines, through contacts or whatever sources. This list could be used to find earlyvangelists able to give new ideas or to regroup (a) contacts for an advisory board or (b) influencers. Blank (2006) defines earlyvangelists as customers who know they have a real pain and who actively looks for solutions to solve it.

Furr and Ahlstrom (2011) do not mention « Earlyvangelists », but advocate that entrepreneurs should firstly address to low-end customers as they are likely to be more receptive to innovation. Once the assumption is elaborated and the customers’ sample is determined, it is time for entrepreneurs to define the problem. All three authors previously
mentioned address the importance of validated learning, which signify that each assumption has to be tested with a specific customer group. Following that point, they underline the importance of discussion with potential customers.

- Schedule Interviews

Two different methods are generally identified to make contact with a client: (a) by mail or (b) by phone (Blank 2006). Once the entrepreneur has started to make contacts with potential clients, it is important to keep a record including the succeed rate (Furr & Ahlstrom, 2011; Blanc & Dorf, 2012). Furr & Ahlstrom (2011) point that the entrepreneur has to base its assumptions taking into account the succeed rate. The succeed rate is the percentage of customers that have accepted a meeting after a mail or a phone call. These authors claim that if at least half potential customers return, a real pain might have been found. However, if the succeed rate is lower than 50%, the entrepreneur should review its assumptions and consider to abandon her idea.

- Validating hypotheses

The selected authors recognize that complex hypotheses might need several interviews to be validated. Blank (2006) makes clear that the first customer discussion should focus on most important matters, while the followings should aim to understand the customer’s routine and explore the market attractiveness. For less complex hypotheses, less formal meetings should be preferred and phone interviews could even be used instead of actual meetings (Furr & Ahlstrom, 2011). Fitzpatrick (2010) is careful to point that entrepreneurs should avoid selling in conversations and instead try to find the willingness-to-pay for a solution to the potential customers’ pain. Furthermore, it is important to avoid drawing conclusions from single customers and consider the type of customer who answers (Furr & Ahlstrom, 2011). Entrepreneurs should try to accurately capture the data in the interviews (taking extensive notes or record conversation) to minimize the probability of drawing wrong conclusions (Furr & Ahlstrom, 2011).

Managers and end-users might have a different judgment about a product (Furr & Ahlstrom, 2011). That is why Furr & Ahlstrom consider that entrepreneurs should consider the whole buying panel, which is composed by three types of customers; the
end-user (the user of the product), the technical customer (the person who install and maintain the product) and finally the economic customer (who makes the final purchase decision). In contrast, Blank (2006) argues that identifying the user panel is not relevant at this stage and that any information from a customer is relevant. After the hypotheses have been modified in an iterative way, entrepreneurs should evaluate the response from the customers (Furr & Ahlstrom, 2011).

Furr & Ahlstrom (2011) argue that entrepreneurs should gather information about potential customers’ dreamed solution simultaneously with testing the business hypotheses. Meanwhile, Ries (2011) argues that entrepreneurs should validate the problem hypothesis by showing a prototype to potential customers. Though, he recommends to create a customer archetype, where the mass market is approached with the problem to assess the market rather than validate the problem (Ries, 2011). On the one hand, Ries (2011) considers that if potential customers have not showed any interest during the interview phase, a pivot should be studied to find a bigger pain. On the other hand, if the business assumptions turn to be a real pain, entrepreneurs should go to the next step and evaluate the attractiveness of the market (Furr & Ahlstrom, 2011).

- Defining market attractiveness

After that entrepreneurs have validated their business assumptions within a specific customer group they should assess the market’s attractiveness before continuing the process (Furr & Ahlstrom, 2011). Furr & Ahlstrom (2011) reveals three principal aspects to consider; market dynamics (size & growth), competition and an evaluation of the company’s capabilities considering the targeted market. Also, is it important to investigate if the identified customer pain is shared by a significant number of customers before making any investment (Furr & Ahlstrom, 2011). Indeed, the targeted market have to be large enough to support the creation of a company. It is also important to study the competition and verify if other companies had already tried to solve the identified pain (Maurya, 2012). Finally, entrepreneurs must assess to whether the future company will have the needed capabilities to develop the solution (Furr & Ahlstrom, 2011). Furthermore, Blank & Dorf (2012) point out that entrepreneurs must study qualitative aspects of the market such as industry trends, unresolved needs and key existing players. These information could be gathered during customer interviews or through market
analysis (Blank & Dorf, 2012). In contrast, Ries (2011) does not make any comment on how entrepreneurs should evaluate the market attractiveness. He instead argues and emphasizes that entrepreneurs should not conduct too much research about the market and the customers. The perfect market for entrepreneurs should gather a group of specific people that are served by few or no competitors (Thiel, 2014).

2.2.3.2 Create and validate the solution

After identifying a real pain and an attractive market, entrepreneurs can concentrate on developing the solution (Maurya, 2012). The selected authors characterize this creation phase as an iterative process that aims to build a solution that meets the customers’ expectations with the least amount of effort required to create it. This part is split in three distinctive phases; (a) develop the minimum feature set hypothesis, (b) create a minimum viable product, and (c) test and adapt the solution.

- Developing the minimum feature set hypothesis

In order to shape a solution that meets customers’ expectations with the least amount of effort, entrepreneurs must limit the number of features (Ries, 2011). Thus, entrepreneurs have to elaborate a list of the most important features before starting to build the solution. The chosen feature should then be tested and validated during interviews with potential customers. Blank (2006) claims that the feature set should be included in the entrepreneur’s initial assumption and should be able to evolve in the future. The limited number of features have to solve a pain shared by the targeted customer group (Ries, 2011; Maurya, 2012). Furr & Ahlstrom (2011) describes the minimum feature set as “the smallest, most focused set of features that will drive a customer purchase”.

Defining the minimum feature set is not an easy task as customers often ask for a large numbers of features (Maurya, 2012). Furr & Ahlstrom (2011) recommend to focus on the key themes that were discussed with the potential customers during the initial interview phase and avoid to develop features that seem appealing but that are not key to drive a purchase. The other way to identify the minimum feature set is simply asking to customers which feature matter the most for them (Furr & Ahlstrom, 2011). Ries (2011) and Maurya (2012) advocate that entrepreneurs often want to include many features in the minimum
viable product because they are afraid of negative word of mouth that could follow the release of an imperfect product.

Defining the minimum feature set is a prerequisite to develop the minimum viable product (MVP).

- Develop a minimum viable product (MVP)

According to Ries (2011), the process of learning really begins when customers have a minimum viable product to test in their hands. The minimum viable product is developed from the minimum feature set and aims to validate the leap of faith assumptions stated by entrepreneurs in the initial stage (Ries, 2011). Developing a simple product leads to faster iterations as well as the ability to conduct more tests and generate more learning (Ries, 2011; Furr & Ahlstrom, 2011). Ries (2011) claims that any feature of the minimum viable product that does not bring any learning to entrepreneurs should be considered as waste and removed.

All selected authors agree that the minimum viable product does not necessary have to be a real product but can also take the form of a virtual prototype or even a PowerPoint presentation (Furr & Ahlstrom, 2011; Ries, 2011; Blank & Dorf, 2012; Maurya, 2012).

The only difference within the selected authors is that while Ries (2011) and Blank (2012) consider the virtual prototype as a minimum viable product, Furr & Ahlstrom (2011) present it as a step before building the minimum viable product.

Ries (2011) advocates that developing a minimum viable product should be different from developing a traditional product. In the first case, the objective is learning as fast as possible from customers whereas in the second case, quality is key to success and customer retention. The minimum viable product aims to validate a customer pain and should be developed with as little cash as possible (Furr & Ahlstrom, 2011).

The objective of the minimum viable product (MVP) is to validate the minimum feature set and test to what extent the solution is solving the customer’s pain (Ries, 2011). Another important characteristic of the minimum viable product is the ability to observe the customer’s interaction with the product, which could lead to additional learning for
the entrepreneur (Furr & Ahlstrom, 2011). Ries (2011) explains that many customers do not notice that they have a pain before having a solution in their hand.

Entrepreneurs often fear to have their idea stolen by competitors when releasing a minimum viable product. Ries (2011) considers that entrepreneurs should focus on the learning process since having its idea stolen is riskless compared to building a solution that nobody wants.

All authors agree that entrepreneurs have to learn fast in order to beat competition (Furr & Ahlstrom, 2011; Ries, 2011; Blank & Dorf, 2012). For entrepreneurs that fear to damage their brand name by releasing a low quality minimum viable product, there still exists the possibility to launch it under another name (Ries, 2011).

- Test and modify the solution

All selected authors advocate an iterative process in order to test their minimum viable product (MVP). Nevertheless, small differences exist among them regarding the number of steps needed to validate the learning process. According to Ries (2011), entrepreneurs should directly develop their minimum viable product so that they could learn more quickly. On the other hand, Furr & Ahlstrom (2011) define three distinct phases in their evaluation of the minimum viable product: the virtual prototype, the prototype and the solution.

According to Ries (2011) and Furr & Ahlstrom (2011), entrepreneurs should build their minimum viable product based on the information gathered during initial interviews with potential customers. Then, they have to measure how earlyvangelists behave with the product and iterate in order to fit the final product with customers’ expectations. Iterations and improvements should be conducted from the data gathered during solution interviews (Maurya, 2012).

In order to improve the learning process, Ries (2011) advises entrepreneurs to adopt a standardized approach that he defines as “innovation accounting”. Innovation accounting allows entrepreneurs to focus on key metrics instead of “vanity metrics” that can lead to failure. Finally, the datas should be analyzed to determine if entrepreneurs should persist in the same direction or pivot (Ries, 2011).
When testing their solution, entrepreneurs should pay attention to two key aspects: price points and breakthrough questions (Furr & Ahlstrom, 2011).

For instance, when presenting a prototype to customers, entrepreneurs must learn how much the customers would be willing to pay in order to use the solution (Maurya, 2012). Indeed, if customers are not willing to pay for the solution, then entrepreneurs should consider a pivot as they are probably tackling a too small issue. The breakthrough questions are the questions that entrepreneurs fear to ask but are essential to measure the viability of the business. These questions generally include the customer’s willingness to pay for the solution.

Ries (2011) considers that entrepreneurs must use metrics in order to evaluate customers’ behavior. The metrics should be “actionable, accessible and auditable” (Ries, 2011) which means that they should be easy to understand as well as available and credible for every employee of the company. Entrepreneurs should then analyze the gathered data in order to make the right decisions.

According to Furr & Ahlstrom (2011), entrepreneurs should continue the learning process until they perfectly meet customers’ expectations. Moreover, entrepreneurs should not make final decisions based on a single customer and draw conclusions only from multiple customers’ feedbacks (Furr & Ahlstrom, 2011). Finally, the selected authors defend that entrepreneurs should conduct at least four to six interviews in order to have relevant data to make the right decisions.

Ries (2011) advocates that entrepreneurs should consider a pivot when sufficient data demonstrate a lack of interest from potential customers. However, he claims that too often entrepreneurs do not make the right decisions regarding the question of pivot and persever too much. Three main reasons are presented for the absence of pivot: vanity metrics that persuade entrepreneurs to be on the right way and unclear assumptions that make it more difficult to observe results. If entrepreneurs choose to pivot, they must use what they have learned from the previous stages to find a new way to tackle the problem (Ries, 2011).
- Go-to market strategy

When presenting the solution to the customers, entrepreneurs should gather information about existing alternatives and potential competitors in order to prepare their “go-to-market strategy”. Entrepreneurs’ objective should be to find out how customers decide to purchase the solution by studying the distribution infrastructure and the customer-buying process (Furr & Ahlstrom, 2011). Entrepreneurs can discover the customer-buying process during the interview phase by asking customers how they currently try to overcome their pain. It includes everything from the customers being aware of the product to evaluation of it, purchase and finally the usage.

Entrepreneurs also have to discover the market infrastructure and analyze all the players between the company and its customers. The first players that have to be studied are the partners, which are the ones that aim at selling their products or services to the same customer group. The partners could be resellers, other companies with a related economic interest or even early-reference customers who want their pioneering efforts followed by other customers (Furr & Ahlstrom, 2011). Then, entrepreneurs have to determine who the influencers of the targeted market are (medias, industry analysts, bloggers…) in order to mobilize to spread the word.

Finally, entrepreneurs have to understand the targeted customers’ marketing preferences to reach them in the most efficient way (Furr & Ahlstrom, 2011).
3. Methodology

From what I first understood about the Lean Startup approach, it quickly appeared to me that it provides an interesting vision to entrepreneurs or even managers. It may be the case that the Lean Startup methodology is one example of how best practices of different domains are combined and applied specifically to start and run new ventures. My interrogation was on Brazil and the utilization of this approach in the startup environment. To master those challenges of understanding how Lean Startup it is used in Brazil a discovery oriented, explorative research approach has been chosen (Giorgi, 1994; Patton & Appelbaum, 2003). This study is a good complement to Ribeiro’s (2014) quantitative exploration of the Lean Startup phenomenon in Brazil. To grasp the pure essence of an occurrence, the tool of the qualitative interview seemed to be appropriate.

I have been waving for a moment to develop a case study (Yin, 1994) on a Brazilian Startup that was successfully implementing Lean Startup techniques but I finally chose to use qualitative interviews as the two methodology are quite similar in their structure and because meeting several entrepreneurs appeared to me the most efficient way to obtain the most loyal image of the utilization of the Lean Startup methodology in Brazil, in addition of being a very rich experience for me.

3.1 Research Design

The final research design that intend to answer the research question of this thesis, follows these different steps.

3.1.1 Choice and evaluation of the research subject

The first step was to find a topic that both interested me and that was suitable for a Master degree academic paper. Therefore, the subject of investigation had to be discussed with the supervisor and an interesting topic had to be determined. During my master degree, my two favorite classes were about entrepreneurship and I have always known that my study will be on this subject. I decided to study the Lean Startup methodology as we only raised the subject in class and never had the time to deeply study
it. Moreover, this methodology has been used in the startup I am currently interning and I wanted to discover if it was widely spread among other successful Brazilian startups.

3.1.2 Architecture of the research paper

Then, the framework of the study had to be designed. The assignments in this phase required the choice of the sample size with my advisor and the way I would collect relevant data to write an interesting study. Secondly, I started to write a script for my interviews in order to gather the information I needed to write an interesting report. Although a conflict exists between phenomenologists on whether to write the literature review before or after the conduction of the interviews, I preferred to learn everything I could about the Lean Startup methodology before starting my interviews in order to focus my questions on the subject studied (Morse & Field, 1996) by reading the relevant books and writing the literature review. I made this decision to familiarize myself with the concept beforehand to be sure to collect relevant data during my interviews as I knew that it would be complicated to meet my interviewees a second time considering their busy agendas.

3.1.3 Conduction of the interviews

During this third stage, I started to send many emails and had several telephone conversations with potential interviewees to schedule the physical interviews. I knew only a few people in Brazil and it was important to schedule interviews that enable me to engage a discussion of about 45 minutes. Furthermore, it was important to have access to a quiet room where the interviewee would feel comfortable and would not get distracted during our physical talk (Saunders, Lewis, & Thornhill, 2009). As a result, seven in-depth physical interviews have been conducted for the purpose of the Master’s assignment. In order to engage a deep conversation and not being distracted by writing notes, all interviews were recorded with the approval of the interviewees. I insisted to meet physically my interviewees in their office to let them in a known and comfortable space.
3.1.4 Preparation of data

In order to use the amount of information generated throughout the interviews properly for further analysis, all interviews had to be transcribed. My first intention was to conduct the interviews in English to avoid problems with translation and transcribing (Temple & Young, 2004) but I noticed with my first interview that I could get more information talking the native language of the interviewees. To that end, Interviews were conducted in French, English and Portuguese.

3.1.5 Writing of the report

The final step is to write up the research in a compelling and scientific but interesting way. The paper also include diagrams to help the comprehension of the theories mentioned. The final report will use the APA style for its citations.

3.2 Data Collection

3.2.1 Selection

As the use of the Lean Startup methodology is not something that can be observed in the entire population nor is it statistically distributed amongst specific groups of people, I had to define who I wanted to interview instead of using probability and statistical sampling methods (Babbie, 2007). Lean Startup had been originated by a small group of entrepreneurs originated from the Silicon Valley in the United States of America but Lean Startup followers or evangelists can now be found in over 90 countries around the world, including Brazil. For the purpose of this study and to answer the research question, the main protagonists had to have rich experience with startups in Brazil. In selecting the right participants for the purpose of that study, some criteria had to be established in order to qualify as interviewee (Shaw, 1999). First of all, participants should be founders of a start-up operating in Brazil. Secondly, all the startups chosen should have least has benefited from at least one investment round as a measure of success. The amount of money collected has been characterized as a criteria of success as it reflects investors’ confidence in the venture’s future.
It is difficult to choose a fixed sample size in advance of the study (Shaw, 1999). In particular, there are different opinions about the number of participants. Similar studies involved between six and twelve practicing entrepreneurs (Berglund, 2006; Cope, 2005b). Books about qualitative research recommend up to ten cases using long interviews until saturation is reached (Boyd, 2001; Creswell, 1998).

3.2.2 Interviewees

The final sample consists of seven people. All are male between 25 and 50 years old. They are all located in Brazil, in the state of São Paulo. Participants have been chosen from various countries (Brazil, France, USA, Germany, and Switzerland) so that different experiences were compared and validated against each other in order to increase objectivity (Blumberg, Cooper, & Schinder, 2008). All interviewees are from my personal network and were presented to me by Fabien Mendez, CEO of Loggi.

The first entrepreneur I interviewed is Fabien Mendez, CEO and co-founder of Loggi - a Brazilian online marketplace that links individuals and companies to autonomous couriers. Loggi is a one-year old company and is Fabien’s second venture. Fabien then introduced me to Paulo Veras, CEO and co-founder of 99Taxis, the biggest taxis marketplace in South America. I also interviewed Thibaud Lecuyer, COO and co-founder at Dafiti, which is one of the biggest fashion e-commerce in Brazil. I then met Carlos Souza, CEO and co-founder of Veduca, an online educational platform and Derek Fears, co-founder of Emprego Ligado, the first job offer internet site dedicated to blue collar jobs in Brazil. Finally, I decided to interview Nicolas Gautier, a serial-entrepreneur and now director of the VC fund Bolt Ventures who then introduced me to Max Reichel, CEO and co-founder of Oppa, a famous online furniture company.

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Company</th>
<th>Position</th>
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</thead>
<tbody>
<tr>
<td>Fabien Mendez</td>
<td>French</td>
<td>Loggi</td>
<td>CEO</td>
</tr>
<tr>
<td>Paulo Veras</td>
<td>Brazilian</td>
<td>99Taxis</td>
<td>CEO</td>
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<tr>
<td>Derek Fears</td>
<td>American</td>
<td>Emprego Ligado</td>
<td>CEO</td>
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<td>Thibaud Lecuyer</td>
<td>French</td>
<td>Dafiti</td>
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<td>Nicolas Gautier</td>
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<td>Carlos Souza</td>
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<td>Max Reichel</td>
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Table 1: Interviewees
4 Empirical Results.

The empirical results from the interviews are presented in the following section. This part will reveal to what extent the Lean Startup methodology has been used by the selected ventures in the “create and validate the hypothesis phase” and the “create and validate the solution phase”. We will also mention the difficulties encountered by each startup when implementing the methodology.

4.1 Finding an opportunity and validate it

As we saw in the literature review, finding an opportunity is the first thing that an entrepreneur has to do. This opportunity should be a problem that involves a specific group of people that is willing to pay in order to solve it. The problem has to be a real pain for the targeted customers so that the company is worth building to solve it (Furr & Ahlstrom, 2011).

The first question I asked in all my interviews was: “How did you get the idea to build your company? Respondents stated that the market they entered was a fantastic opportunity at the time. The first thing they did before starting to work on their company was observing how the market that they wanted to tackle was currently operating in order to disrupt it.

Before founding Loggi, Fabien had a first entrepreneurship experience in Brazil as a co-founder of GoJames, a luxury driver service for high executives. After months of conflict with taxi drivers, he finally had to close his venture after a negative court decision. When studying the legal aspects of the transportation sector in São Paulo, Fabien found out that in 2007, a law had been implemented in Brazil to regulate the courier’s market. Before that law, anyone could buy a moto and start making deliveries in Brazil, which explains why many companies were not confident in working with small call centers to get their deliveries done. This lack of trust was the first issue that Fabien observed in this specific market. The second thing that decided Fabien to launch Loggi was that in contrast to people transportation, no company had brought a smart technology with a nice user experience into the courier's market yet.
From this observation, Fabien made hypotheses on the product proposition, the distribution and the pricing strategy that would be later validated during interviews with potential customers. Fabien told me that at this point his major hypothesis was that people would later use a smartphone to order a courier as they were already doing to order a taxi.

In a similar way, Paulo had the idea of 99Taxis by observing the issues that people were having when ordering a taxi in São Paulo. He discovered that many people did not trust taxi drivers and that many taxis drivers did not trust people that were hailing them in the street. This was his first problem hypothesis. Paulo was also convinced that it made economically no sense to waste time calling a call center in order to get a cab whereas the passenger could directly make a request through its smartphone. The idea of 99Taxis came from these two problem hypotheses. Paulo did very little planification and did not write a business plan to launch 99Taxis, his main concern was to launch the product as quick as possible to be the first mover in Brazil.

Carlos Souza and Thibaud Lecuyer, respectively founders of Veduca and Dafiti had a totally different approach. Both decided to implement a business model that did not exist in Brazil but which were very already successful in Europe or in the United States. Carlos told me that he started to think about launching a web education platform during one of his numerous trips to the United States when he was working at Procter & Gamble. He noticed that various websites offering high quality online education were gathering millions of Americans each day and that it could be a huge success in Brazil. The opportunity of being a first-mover in the online education market in Brazil convinced Carlos to launch Veduca. The idea was to offer online classes from the best American universities to the 98% of the Brazilian population that did not speak fluently English.

Meanwhile, Thibaud was working at Rocket Internet in Brazil when one of his boss asked him if he would be interested in opening an e-commerce platform to sell shoes online. Netshoes, the actual major shoes e-commerce was already operating in Brazil but had a focus on sportswear. The idea for Rocket Internet was to launch in Brazil a copycat of one of their most lucrative business in Europe, Zalando.com. Thibaud did not do any market research by himself and was chosen by Rocket Internet to execute a business model that was doing great in other countries. The success of Netshoes gave a fantastic information to Rocket Internet: it was possible to successfully sell shoes online in Brazil.
and the only company that was doing it was focusing on a niche market (sportswear). According to what I heard from Thibaud during our interview, the founders of Dafiti did not follow the Lean Startup methodology to launch their business. They had a detailed business plan to follow and a well-defined objective from the beginning: replicate the European success of Zalando.com in Brazil. Dafiti is more a case of “fat startup” that has received a lot of money since the beginning to stifle the competition and become market leader after a short period of time. Dafiti had been an interesting case for this paper because it was founded in 2010, year of the publication of the Lean Startup book by Eric Ries. Thibaud told me that he heard about the methodology much after the opening of Dafiti and that he was thinking of using it to launch new business units in the future.

Derek founded Emprego Ligado with his two best friends after a two-month trip around South America. Emprego Ligado was born after three main observations. Their first observation was that 80% of Brazilians did not have college degrees and were seeking for blue-collar jobs rather than white-collar jobs whereas the large majority of online job offering platform were dedicated to white-collar jobs. The second observation was that many people in Brazil spent hours on their daily commute for a job position that was often available at a 5-minutes walking distance from their home. This time consuming daily commute leads to an astonishing employee turnover as new employees got easily demotivated. The third observation that Derek and his friends made was that when they had the idea of Emprego Ligado, job seekers were actually paying a monthly fee to post their curriculum online to be potentially contacted by companies interested in their profile. To Derek and his friends, it did not make any sense to charge the job seeker instead of companies. However, their challenge was to formulate a solution to their observations that could be largely applicable without a high degree of customization regarding the large amount of different industries that they wanted to.

Finally, Max decided to build Oppa when he noticed that Brazilians had only a few choices to buy high quality furniture. According to him, Oppa was born from two basics observations. First, Max was convinced that it made no sense to sell furniture in physical shops as much space is needed, which makes it very expensive in large cities like Sao Paulo. Second, the world biggest design furniture company - Ikea - has not been operating in Brazil yet, which let a great opportunity for smaller companies. Max is convinced that
he could not have built the same company in Europe because of Ikea’s monopolistic position.

For each business, the creation of hypothesis was conducted through an iterative process in which the founders observations were put together to form a preliminary business hypothesis. After that the business opportunity had been identified, most of my interviewees started to contact potential customers in order to validate their vision.

The ones that decided to “get out of the building “to conduct customer interviews told me that contacting relevant customers had been much more difficult that what they had anticipated in advance. However, according to them, it was really important to validate their hypotheses with targeted customers in order to turn their opinion into a business idea. The main difficulty encountered during this phase was the choice to pivot or to persevere.

Paulo and Fabien both intensively looked for early-evangelists for 99Taxis and Loggi that would accept an 80% solution and that would give interesting feedbacks. Early-evangelists are often heavy users that are looking for a solution that could solve their pain. As they were both building a marketplace, they had to conduct interviews with individuals, companies but also taxis drivers and couriers. They start to contact companies owned by their relatives to probe a potential interest and talked to any people that could be interesting in their service. For example, Paulo spent hours talking with taxis drivers during his private rides in Sao Paulo to validate his vision with real taxis drivers. For its part, Thibaud did not conduct any customer interview before starting Dafiti since he already knew that Rocket Internet’s vision was right as Netshoes had already been selling shoes on the Internet for a while.

Emprego Ligado’s vision had entirely been validated on the field. Derek and his friends spent weeks in São Paulo’s north region to interview small business owners and blue-collar job seekers. On the other hand, Max, the CEO of Oppa, did not conduct any customer interview to validate his vision.

Veduca is a very interesting case as they totally changed their business model hypothesis after talking to customers. When he launched Veduca, Carlos wanted to charge individuals for an online MBA with a freemium business model. Online classes were totally free but the students had to pay if they wanted to receive the physical degree. As
his conversion rate from free users to paid user was really low, Carlos chose to pivot and change Veduca’s business model. This is after reading Eric Ries’s book that Carlos took this decision. Veduca’s cash started to be at worrying level and the company had only a few months of runway. During his customer’s interviews, Carlos found out that individuals were looking for MBAs because their companies were asking them to have one. This customer feedback deeply changed Carlos’s vision for Veduca. As companies were asking their employees to have MBAs, Veduca decided to stop charging employees for their MBAs and start charging companies instead.

Many of my interviewees told me that the main difficulty that they encountered during the customer interview process was not to mention the business idea. Explain what is the business idea and features to potential customers prevents entrepreneurs from getting the good feedback because interviewees are likely to lie to avoid hurting the hopeful entrepreneur. The best feedback possible entrepreneurs could receive in this interview phase is to discover that he is tackling a real pain and that potential customers have already been looking for solution to this pain (Fitzpatrick, 2010). Identify a real pain is crucial because potential customers that had not looked for a solution to solve it are not likely to buy the entrepreneur’s solution either. A real challenge at this phase is to ignore new features that potential customers want to have in the new solution but understand why they want these new features. The innovator should be the entrepreneur and features request should be understood and not obeyed.

Paulo told me that he decided to keep his customer interview really casual and quick after that he found out that he could learn more this way than during a long and formal meeting.

Along my interviews, it appeared that the validation of hypotheses was one of the most difficult step for entrepreneurs. The biggest challenge for them was to ask questions that could potentially destroy their dreamed business. Derek told me that he and his friends were terrified when asking tricky questions that had the potential to kill their business idea when facing small companies’ owners.

After validating their hypothesis, entrepreneurs started to analyze the market attractiveness before launching a first version of their product.
4.2 Finding an attractive market

Many times, entrepreneurs discover that their potential customers have a significant pain, but because the market is not big enough or because there is too much competition, it may not worth it to build a business on it. There are different ways to measure the market attractiveness. As I interviewed several non-Brazilian entrepreneurs who decided to open their business in Brazil, I asked them why they chose to open it here. The most shared answer was about the market’s size. Thibaud explained me that even if it was really difficult to operate in the e-commerce sector in Brazil due to poor infrastructure and complicated logistics, it was worth the effort regarding the size of the market and potential returns. According to him, it could be very challenging to build a business in a small market as there is too little space to grow, whereas in a large market it would be easier to scale the business. Dafiti’s founder knew from the beginning that they were potentially building a billion-reais company regarding Latin America trends in terms of demography and purchasing habits. The main challenge here is to know if it worth building a business. During the customer validation phase, entrepreneurs tested if customers could be interested in their solution. In the market attractiveness exploration, the objective is to define if a sustainable and scalable business model can be built on the entrepreneur’s vision.

To have a concrete idea on the moto courier's market attractiveness in São Paulo, Fabien did a complete market research to find out how many couriers were operating in São Paulo and how many rides they were doing per day. He did a real work of investigation calling to syndicates and public authorities in charge of regulating transportation in São Paulo in order to have the exact number. Another way to define the market attractiveness is to analyze competition. When Max discovered that no company was selling design furniture online in Brazil he decided to enter the market.

Venture Capital funds often decide to invest in startups that operate in large markets and have the potential to scale quickly. Nicolas Gautier, owner of the VC fund Bolt Ventures,
told me that he has invested only in startups tackling infrastructure deficiencies in Brazil because he is convinced that there is a real pain to tackle and large markets to capture.

4.3 Developing a solution and validating it through innovation accounting

After identifying an opportunity, validating it with potential customers and exploring the market attractiveness, entrepreneurs have to develop a product and validate what they learned during the “getting out of the building” phase. The objective of developing a minimum viable product is to test whether the company’s solution could reduce the potential customer pain and fulfill its needs. This MVP should maximize the learning process and confirm the entrepreneur vision.

When getting out of the building, entrepreneurs aimed to learn more about the problems that their potential customers are dealing with. Paulo explained me that each time he was having a conversation with a taxis driver, he noted everything that he had learned on a small pocket book. 99Taxis first version was the result of all the principal pains that Paulo had identified through his discussion with taxis drivers and passengers. For instance, taxis drivers told Paulo that they did not like to onboard unknown customers because they were scared of not being paid. Meanwhile, many women were not comfortable to hail a taxis in the street because they did not know who was going to drive them to their destination. As a result, 99Taxis first release was a really simple app for ordering taxis with the name of the passenger available for the driver and the name of the driver available for the passenger in order to set up a climate of trust, that’s it. Paulo received very promising feedbacks from taxis drivers after the release of 99Taxis first version and added later new features to improve the user experience.

Emprego Ligado’s first product was a SMS service that linked small companies to blue collar job seekers. Basically, Derek and his team went to a commercial street in the north region of Sao Paulo and started gathering job offers from local business owners who were currently hiring. They sent the job offers to the job seekers that they had previously met during the customer interview process and were manually doing the intermediation by SMS. Emprego Ligado first version was then a manual SMS service operating in a unique street of São Paulo. The founder team discovered that many job seekers were interested in their solution and were really enthusiastic about finding a job in their neighborhood.
On the other hand, small business owners received many interesting profiles and were astonished by the motivation of the job seekers that they were receiving for job interviews. Emprego Ligado had validated their value hypothesis, small companies and job seekers were interested in their product and companies were willing to pay a monthly fee to use their solution. Derek and his team received a lot of feedbacks from job seekers and small business on how they could improve their products. On the one hand, small company owners requested a solution that could automatically set up a meeting if a job seeker corresponding to the job offer requirements had showed an interest. On the other hand, job seekers asked for a solution in which they would not be charged for the sent SMS to answer job offers.

It took much more time for Fabien and his team to launch the initial version of Loggi. The first objective when building a minimum viable product is to test the vision and learn as quickly as possible in order to improve the product through fast iterations. As Loggi aimed to target corporate customers as a priority, the first release had to be more elaborated than if its objective was to target non-corporate ones. The first operational version of Loggi’s online platform took six months to be ready. Knowing that the first release would take time, Fabien decided to prepare a well-detailed PowerPoint presentation about the technology and the value proposition of Loggi. The PowerPoint presentation was showing in detail how the Internet platform would perform. This presentation was more about building trust with potential customers and showing that Loggi had understood their pain. As Loggi could easily be characterized as a ‘better, faster, cheaper’ solution, it was not complicated for Fabien to show the added value of what he and his team were building. The biggest challenge for Fabien was to prevent himself from selling his vision of the product to potential customers instead of listening for feedbacks. Finally, he got many interesting feedbacks from this presentation, which helped him to develop the first operational version of Loggi.

To validate if they were on the right path, Paulo, Fabien, Carlos and Derek measured many different metrics to validate their learning. All of them aimed at identifying the key performance indicators that would demonstrate to investors that customers were interested in their solution. Paulo told me that he conducted many cohort analysis in order to analyze his customer’s retention over months. These cohort analysis allowed him to identify which new features were bringing value to customers and which were not.
Innovation accounting is seen as a must do by the entrepreneurs that I interviewed. Measuring the retention of customers, lifetime value and client acquisition cost was essential to demonstrate the success of their business model to investors and raise money.

4.4 Barriers encountered

All the entrepreneurs met for this paper that decided to implement the Lean Startup methodology encountered a few difficulties. These complications were classified in three different activities: getting out of the building, building a minimum viable product and deciding to pivot or persevere.

4.4.1 Getting out of the building

Talking to potential customers is at the core of the Lean Startup methodology and is the best way to identify a real opportunity. It tells entrepreneurs if their initial hypotheses are promising or not. In most cases, entrepreneurs have a very specific idea of what the business will be and have difficulties to listen to recusant feedbacks from potential customers. Identifying the buying panel and find the right interlocutor may also prove to be a difficult task.

Fabien told me that before getting out of the building, he had no idea of which person to interview because the economic buyer, the technical buyer and the end user were three different persons. He finally had to demonstrate to the economic buyer that Loggi was cheaper that the current solutions, to the technical buyer that the platform had a fantastic UX and was very easy to use and to the end-user that ordering a courier through Loggi would be a fantastic gain of time. This difficulty conducted Fabien to discuss first with small companies owners like lawyers or consultants as they often were both economic buyer and end user.

Derek and his team met other difficulties during their customer interview phase to validate their vision for Emprego Ligado. First, they did not speak fluently Portuguese when they decided to validate their business hypothesis in the streets with job seekers and small company owners. Second, they had more difficulty than anticipated to access potential customers. Most of the people that they wanted to interview were not willing to give feedbacks and were not paying attention to their project. Max and Thibaud decided not
to conduct customer interviews and focus on their own vision of the business. They were both convinced that they were tackling an important issue and did not want to waste time validating it with potential customers.

4.4.2 Developing a minimum viable product

The soonest entrepreneurs achieve to present a prototype to potential customers, the sooner they will receive interesting feedbacks. For the few companies that I studied, developing a prototype quickly was very challenging. First, Brazil’s bureaucracy was a real restraint and makes my interviewees lose a lot of time. Second, there are only a few very good IT engineers in Brazil, which makes the competition to contract them very tough. Fabien told me that he achieved to convince Loggi’s seeds investors by giving them the name of his co-founder and CTO, who was well-known by the IT community of São Paulo. Another challenged that came out of my interviews, was about the amount of features that the minimum viable product should have. In most cases, entrepreneurs were not comfortable about delivering a too simplified version, afraid that customers would run away and never come back. For instance, Max whose vision was selling high quality designed furniture online, explained me that he did not want to launch a simplistic version of his website because his targeted customers would have never come back to make a purchase.

4.4.3 Pivot or persevere?

As seen earlier in the paper, the main objective of the Lean Startup methodology is to test entrepreneurs’ guesses in order to discover real facts about customers in the fastest possible way.

Through innovation accounting, entrepreneurs should theoretically be able to determine if they are on the road to success or not. In practice, it is very difficult for entrepreneurs to know if they are doing the right thing and if they are building a profitable business because they often do not know which key performance indicators they should listen to. The main challenge is to know whether to continue or not in the same direction and at what point a pivot has to be considered. Carlos, who is the only entrepreneur that I interviewed who actually did a pivot, told me that he had a very hard time choosing
between doing a pivot or simply closing his venture. He decided to pivot because he had still a few weeks of runway and because his investors advised him to get out of the building to meet corporate customers. The feedbacks that he received from the interviews with corporate potential customers persuaded Carlos to launch a B2B version of Veduca.

5 Discussion - Lean Startup in Brazil

The discussion part is a summary of the lessons learned during the research. It aims to address to what extent the Lean Startup methodology has been followed by the Brazilian Startups selected for this research. The barriers that have been identified by the interviewed entrepreneurs will also be developed.

The first observation that has to be made is that all of the entrepreneurs interviewed for this paper were already aware of the Lean Startup methodology. Most of them had read Eric Ries’s book and the rest had at least heard about the methodology. However, the interest of this study was to identify if the methodology have been followed by the selected entrepreneurs and what are the barriers that they encountered along the way.

As we developed in the literature review, getting out of the building to involve potential customers is at the heart of the Lean Startup methodology. It came out of my interviews that customer discovery is a widespread practice in Brazil. However, even though considered as an essential point to find a good product/market fit, two entrepreneurs out of the 7 that I interviewed chose not to conduct any customer interview. The reason advanced was that they were building business models that were already showing good results in other countries. The ongoing success of their planned business model convinced them to skip the customer interview part and to respect the initial planification. They also told me that their main concern was to go fast to beat emerging competition. As explained by Ries (2011), the objective of a Startup should not be to maximize profit but to find a sustainable and scalable business model. As they already had a business model, Thibaud and Max, respectively founders of Dafiti e Oppa decided to immediately launch their e-commerce. However, Thibaud confessed me that if he had conducted interviews with potential customers he could have avoided a few mistakes regarding the product-market fit. Indeed, even if Dafiti business model was doing great in Europe, Brazilians e-shoppers had different expectations when buying shoes and
clothes online. Getting out of the building and conducting customer interviews could have taught Thibaud to focus on what customers were expected. For instance, Thibaud was convinced that in order to sell clothes online in Brazil, he had to exclusively used Brazilian models on his pictures and avoid exposing too skinny girls. He realized only a few months after the launch of Dafiti website that Brazilian girls also wanted to see clothes on skinny girls. Conducting customers’ interviews could have helped him to identify local purchasing habits and saved him months of customers’ dissatisfactions. In the same manner, Oppa did not conduct any customer interview and did not launch any minimum viable product.

Thus, Dafiti and Oppa are two examples of companies that did not make the choice to run lean. Both companies received several rounds of investments and always had a comfortable amount of cash in their bank account. The fact that Dafiti and Oppa are doing great and had reached very quickly a product/ market fit without running lean, implies that other methodologies might be at least as efficient as the Lean Startup approach.

A few years ago, Horowitz (2010) defended the case of the “Fat Startup” in opposition to the Lean Startup movement. According to Horowitz, the Lean Startup approach was born in 2008 after a meeting organized by the biggest venture capital firm in Silicon Valley, Sequoia Capital. The meeting took place in 2008, in the middle of the global economic downturn and advised entrepreneurs to “cut spending. Cut fat. Preserve capital”. At the time, it was really hard to raise money and being lean was an innovative way to reach a product/market fit without spending too much. Although Horowitz (2010) thinks that many things said about lean startups makes good sense, he is convinced that having a low-burn and low-investment strategy can lead to failure and even worst, can lead to what he defined as “startup purgatory”. “Startup purgatory” is when an entrepreneur is stuck with a small company that does not have any chance to become a multi-million-dollar business - every entrepreneur nightmare. According to Horowitz, a startup should only have two priorities, which are “winning the market and not running out of cash”. Implement the Lean Startup approach is not an end but is a tactic mean should be used to conquest a specific market and not run out of cash before it is done. However, sometimes, “running fat” is the only solution to quickly reach a product/market fit and beat competition (Horowitz, 2010).

Four out of the seven entrepreneurs that I interviewed for this paper defended the case of the “fat startup” introduced by Horowitz. As we noted in the empirical results
session, most of my non-Brazilian interviewees decided to open their business in Brazil owing to the size of the market. Indeed, Brazil is a 200-millions people country with much space for high-tech ventures. Operating in such a big market requires fast execution and high burn rate to nip the competition in the bud. Tough, running fat enables ventures to keep their best engineers, invest in communication and marketing in addition to scale rapidly and operate in the whole country. Nevertheless, this result seems to be biased by the Dafiti’s case. It has to be reminded that Dafiti is a Rocket’s Internet’s company and has its own specific way to operate.

Moreover, from what I learned conversing with Nicolas Gautier - founder and CEO of Bolt Ventures, raising money in Brazil is not an easy task. The “custo Brasil” (bureaucracy, tax level, corruption...) prevents foreign investors to invest huge amount of money whereas Brazilian investors often have access to investment much less risky than startups offering the same potential returns. This scarcity of capital implies that startups that are highly funded have a huge competitive advantage over underfunded competitors as they can heavily invest on technology and communication whereas other startups operating in the same sectors cannot afford to keep pace.

Another shared particularity of Brazil is that there is a real scarcity of talents. As talents are rare, they are expensive for startups. Talents and technology are the two main assets of a company and should not be relegated to the background (Horowitz, 2010).

My conversations with Thibaud, Nicolas, Fabien and Max taught me that after the business model has been confirmed and the product/market fit has been found, a startup that is operating in a large market with intense competition should try to move from lean to fat. For instance, running fat allowed Loggi to take 80% of online market share in a few months thanks to an aggressive marketing campaign. It also enabled the company to hire high skilled engineers to improve the technology and starve competition.

Finally, the main question that came out of these interviews is how to really define a startup. According to Ries (2011), a startup is “a human institution designed to create new products and services under conditions of extreme uncertainty”. The difficulty is to determine whether the conditions of extreme uncertainty are met. Are Dafiti, Oppa and Loggi startups? These companies are highly funded, reached their product/market fit and have a successful and scalable business model. The Lean Startup approach does not seem
adapted to these three ventures that have already reach the product market fit and implies that the venture is operating in a market where there is no competition.

The Lean Startup approach is one of the most efficient tactics added to entrepreneurship in a long time. But like any tactic, it has to be executed in the appropriate situations. In a situation where the entrepreneur already has a product/market fit, a great team and enough money on the bank account to build a big company, the Lean Startup approach does not seem to be adapted anymore. These results suggest that in big markets with intense competition, running lean may not be the best strategy to follow.
6 Conclusion

6.1 Academic contribution

This paper may contribute towards a better understanding of the Lean Startup phenomenon in Brazil. The objective of this thesis was to identify practices from the Lean Startup approach among a set of selected Brazilian ventures in order to respond to the formulated research question: How the Lean Startup methodology is implemented by Brazilian digital startups?

During the interview phase with the founders of the selected Brazilian ventures, several practices from the Lean Startup approach were identified. The results suggest that the Lean Startup methodology was well-known by all the entrepreneurs interviewed whereas only a portion of them decided to implement some key elements of the methodology.

From the interviews, several conclusions can be drawn. First, entrepreneurs in Brazil are likely to open a business paying strongly attention to the size of the opportunity. The country is commonly considered as an attractive market for new ventures due to the dynamism of its demography and local entrepreneurs seem to orient their business on identified pain that justify the creation of a company.

Secondly, the concept of “getting out of the building” does not seem to be considered as essential in research of a product/market fit and customers interviews are likely to be conducted only by the most recent ventures. One conclusion might be that local entrepreneurs are really confident about their vision. Thus, business planning without customer interactions seems to stay the reference for Brazilian startups.

Third, the development of a minimum viable product has been done only by a minority of interviewed entrepreneurs mostly because of the difficulty to find early-evangelists ready to accept an incomplete solution. Further, interviews have provided evidence that entrepreneurs were reluctant to release MVP, for fear of leaving a bad impression to their customer base.

Finally, innovative accounting is likely to be an essential practice in Brazil to convince investors and raise money.
The Lean Startup approach has been getting more and more popular around the world for the past few years. Until only quantitative research have been conducted to explore the utilization of the methodology in the Brazilian digital startup environment. This paper is thus an additional effort to identify the penetration of this incredibly successful approach among Brazilian entrepreneurs.

One of the most important and unexpected contribution of this study is the confirmation of Horowitz’s argument that the Lean Startup approach may not be adapted to every venture. The results suggest that raising a lot of money and running fat could a very smart strategy in very attractive markets that suffer from a high level of rivalry. However, this last conclusion has to be tempered since the results are biased by the Dafiti’s case. Indeed, Dafiti is not a typical startup and is a product of Rocket Internet’s strategy which consists in entering a market which a lot of cash to rapidly kill the competition.

6.2 Limitations and further research direction

Obviously, no statistical generalization can be drawn from this paper and the study is unable to claim if all Brazilian digital startups present the same characteristics as the one selected for this paper. It is important to make clear that the results only concern the startups mentioned in this master thesis. Furthermore, only a limited number of interviews could have been conducted, which narrows the scope of this study.

Finally, I am convinced that this paper laid a solid base for a first attempt to explore the phenomenon of Lean Startup in Brazil. Nevertheless, future papers could explore the utilization of Lean Startup methodology through an in-depth case study or measure the impact of the methodology on the Brazilian startup failure rate.
7 References


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8 Appendix – Interview

Overview

Topic: Entrepreneurship | Lean Startup
Time: 30-40 min per interview
Medium: Physical recorded interview

Questions:

1. Can you present your company, what you do and when did you start?
2. What is the vision of the company?
3. How the idea of the company came to your mind?
4. Why did you decide to build this company?
5. Why in Brazil?
6. Have you ever heard about the Lean Startup approach?
7. Did you personally or someone in your company talked too potential customers before launching your first product? If not, why?
8. What were you main hypothesis before starting your company?
9. How was the first product that you launched? Was it a MVP?
10. Did you find early adopters? Did you focus on them?
11. How did you find which features to prioritize?
12. How were you sure that the changes you made to your product mattered to customers?
13. Did you make any Pivot? Did you once noticed that you were not making any progress and decided to change strategy, product or growth model?
14. If yes, did you use a new MPV?
15. What is your engine of growth, from where your growth comes from?
16. Do you think that applying the Lean Startup approach could have helped you? If yes, how?