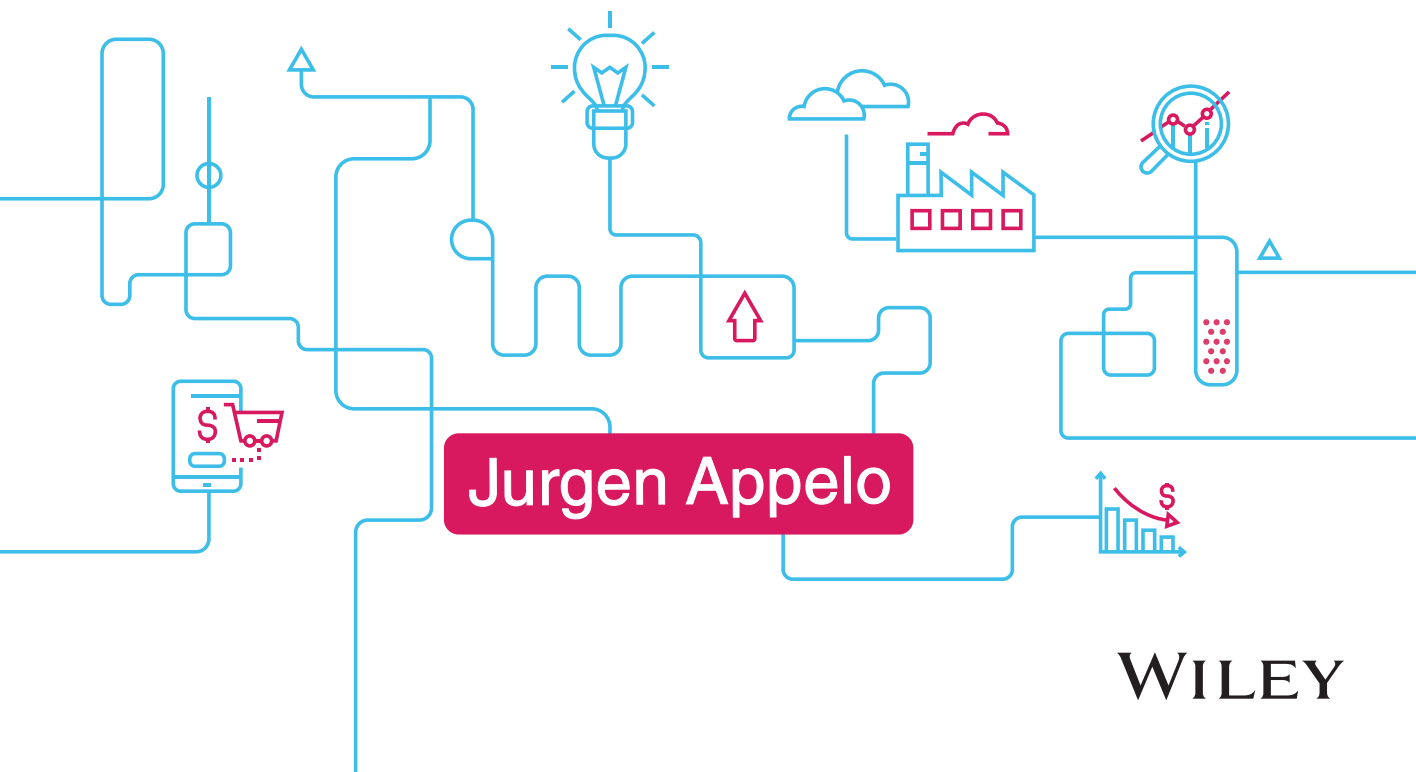


# STARTUP SCALEUP SCREWUP

42 Tools to Accelerate  
Lean & Agile Business Growth



Jurgen Appelo

WILEY



**STARTUP  
SCALEUP  
SCREWUP**



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Lean & Agile Business Growth

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*This book is dedicated to Amnon.*  
*It is a joy and privilege to be your friend. Next to you, I look almost normal.*





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# Prologue



I have a cunning plan.

My plan involves unifying the methods and tools that are successfully used by startups and scaleups with the principles and practices popularized by Lean and Agile communities. It includes upgrading the global Management 3.0 brand that I launched 10 years ago from just leadership practices to all areas of running a business. My plan is also about revolutionizing the way that people learn how to improve themselves and transform their organizations. At many points during the execution of this plan, I foresee travels, discussions, coffees, and lengthy rants on my social media accounts.

Then I hear the signal of our washing machine and I snap back to reality.

I was daydreaming again. What on Earth was I thinking? I cannot even get my startup team to stick to a plan. How am I going to get the rest of the world to pay attention to what I think is important? I'm not a coach or consultant. Helping other businesses to transform the way they work is not my job, nor my field of expertise. I'm just sharing my experiences while running my startups. I would be a terrible adviser. As I always say, I find my own problems much more interesting than those of other companies. And I have many!

It makes me feel like an imposter sometimes. The only thing I'm an expert at is learning tons of things that might help me solve my problems, and then sharing my insights publicly along the way. Fortunately, people seem to appreciate that. So I suppose there's no need to feel too embarrassed when I get things wrong occasionally. As long as I shout it loud and clear, "I learned something new!" The audience is welcome to learn along with me.

It's a Sunday today. It's the best day for some reflection, except when the washing machine keeps beeping. What a horrible thing.

This book is nearly finished. I'm glad I decided to write it. I learned so much this past year from all the research that I performed and all the interviews that I did all over Europe. I'm convinced that my business is better off now because of the many things I picked up that we could implement right away. I might even suggest that all startup founders write their own books. I would read them for sure.

It's quite a busy Sunday, actually. Apart from finishing and reflecting on the book, I have more work to do for the launch of our team's next crowdfunding round, which, quite miraculously, starts the day after I have sent the manuscript of this book to the publisher. It also seems that quite a few people are waiting to hear about my new Shiftup workshop program, for which I will use the ideas that I had while writing this book. Maybe I can do some thinking on that tonight, after a bike ride in the forest.

Oh, forget it. There is no cunning plan.

I'm just winging it, like most other founders, entrepreneurs, intrapreneurs, and business leaders. I try a thousand things, and a dozen of them seem to work. That's how I'm more successful than some other people because they often try nothing. If there's one thing that I learned over the past 20 years, it's to fail often and fail small. That's how founders and leaders do many things, of which a few will be a great success. This book is just one of many things.

Now for heaven's sake, which product designer thought it was a great idea to let a washing machine keep beeping?





# Persistence of Vision

Inspire team members, customers, and investors with a Product Vision: a mental image of your desired future.

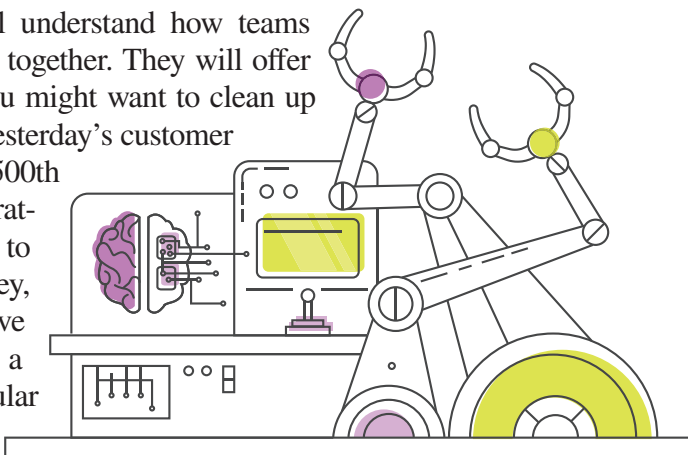


**M**any of us are visionaries. As entrepreneurs, intrapreneurs, founders, leaders, and creatives, we envision things that do not yet exist. We want those things to become real.

For example:

Wouldn't it be great if there were no bad jobs, no bad managers, and no bad companies? Wouldn't it be awesome if everything we knew about doing better work was somehow stored in data and algorithms in such a way that machines helped us to improve our organizations? Wouldn't it be great if, someday in the not-so-far future, rather than us telling computers how to do mindless work, they helped us do *meaningful* work?

Someday, machines will understand how teams of people do their best work together. They will offer us suggestions, such as, “You might want to clean up your product backlog after yesterday’s customer demo”; and “This was your 500th daily cafe. How about celebrating it? I have an idea for you to surprise your team”; and “Hey, your last agile retrospective was six weeks ago. Here is a new retro exercise that’s popular right now in your industry.”

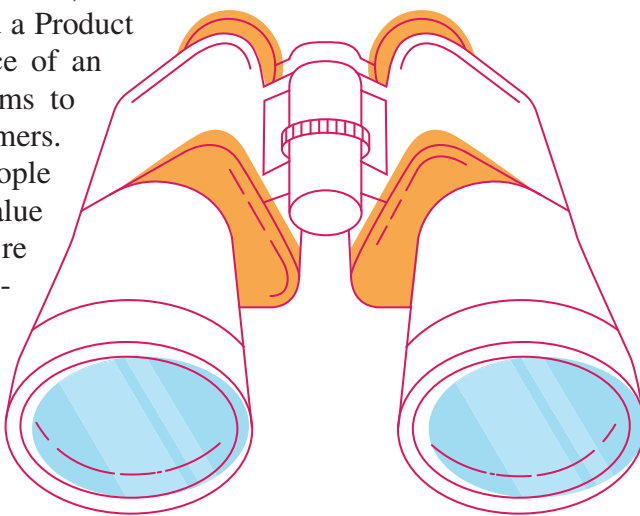


Who needs managers watching over people’s shoulders when artificial intelligence will be able to help teams to hire people, guide performance, and achieve organizational change? A smart business is the kind of company I want my startup to be! Everyone loving their jobs. Everyone trying to make things better. And intelligent machines helping us to improve our work. As far as I know, machine learning algorithms have no interest in the top floor corner office, a limousine with driver, or the parking space next to the office entrance. We would save tons of money on management perks, bonuses, and printed PowerPoint slide decks!

What I just described is only a vision. But it’s a nice one. I believe that innovation often starts with visionaries.

As an entrepreneur, intrapreneur, founder, leader, or creative, you need a Product Vision. It describes the essence of an innovative product: what it aims to achieve for its users and customers. A great Product Vision helps people to mentally visualize what value should be delivered, as if they’re hearing a short story about a successful business in the future.

Michał Borkowski, founder and CEO of Brainly, had a few minutes to spare for me at Brainly’s office in Kraków, Poland. The company was



growing so fast, they literally occupied a temporary office in between their old and new offices.

*We defined the opportunity ahead of us in a way that scales globally. There are 1.2 billion students in the world and every student needs help learning every day. If we think about the problem that Brainly is solving, it's that big problem. Quite often, what I see is that the problems that startups are trying to solve are not big enough. They are chasing an opportunity that is way smaller than the real opportunity that is ahead of them. It was the same for us early on. We started in Poland. We were initially not thinking about our global opportunity. We were just thinking about our own country. It took us about three years to really figure out why we are here and what we are trying to achieve. Now that it's clearly defined, it helps me to manage the company towards that vision. I would encourage every startup founder and CEO to think about their big vision way earlier than we have done.*

*Michał Borkowski, founder and CEO of Brainly, Kraków, Poland*


The reason that we craft a vision is to have a direction in which to navigate with our team's product development efforts. We can dream our dreams and then formulate a vision without knowing anything about available technologies, markets, or revenue streams. We figure out the details later. The first thing we need to do is to inspire ourselves and our cofounders, if we have them, our first team members, if we want them, and any investors, if we need them. Without the inspiration of the people around us, nobody will care about figuring out the details of how to get there. Without a vision, there probably won't be a realization of the dream.

Don't confuse a Product Vision with a strategic plan. Sharing a dream with your team is not about a list of features on a Product Roadmap. A vision is not a carefully crafted statement concocted by a committee on a two-day retreat in a wellness resort. A vision is not the slogan on a mug filled with a cappuccino that was excreted from a push-button machine. Instead, your vision is a verbal image of the future, in language that you would use when you told your story in a bar, to convince your friends to help you make things happen. And the vision is big, bold, and compelling. *I have a dream* comes before *I have a team*. It is what separates the great leaders from the failed ones.

Marc Wesselink, managing partner at Startupbootcamp, spoke enthusiastically across the large table of the shared meeting room in Amsterdam. The building was full of startups and, what seemed to me, a well-organized creative chaos.

*When I look at all the dozens or hundreds of startups that went by, the great ones have something that the others don't. There is one thing that makes all the difference. The best founders have a True North. They have some sort of clock ticking in them that they want to solve a huge problem. But then, in what way and how and to which customers, that's not certain yet. They are willing to be flexible, as long as they can make progress toward their vision. That's, by far, the biggest differentiator.*

*Marc Wesselink, managing partner at Startupbootcamp,  
Amsterdam, The Netherlands*



I think Marc is correct. And not only for startups, the small companies that are trying to prove that their new product idea is viable. It is also true for scale-ups, the successful companies with validated business models that are scaling out to more markets and more products. It is true for established companies, whose leaders and intrapreneurs are trying to transform and reinvent their organizations so that they are not outmaneuvered and replaced by the startups and the scaleups.


An often-heard complaint about management in mature organizations is the lack of a clear direction. Employees are all busy selling products and services, but nobody knows where the company is heading. None of the workers feel inspired by a dream for a better future. To address this concern, the business leaders of traditional companies need to communicate a shared vision. And they need to do so consistently and persistently. It makes a huge difference to the creativity, collaboration, and commitment of teams when they are shown a big, bold dream. This enables them to envision the future results of their work. Nobody dreams about ordinary product features, unless they are nightmares. But imagining how the world is going to change in the future, and how the work that they're doing is contributing to that future, *that* is worth dreaming about. People need to say, "If *that's* going to be possible soon, count me in. I want to make it happen!"



I tried not to make a mess of my wet tea bag on a large, black table somewhere in Helsinki, Finland, while Jenni Tolonen explained to me the original vision of the company Management Events, of which she is now the CEO.

*Our founder wanted us to help Finnish people be more social at business-to-business events and bring them together. In today's very digital world, if the face-to-face contacts are well-facilitated and they are matched around common interests, and the environment is fun and engaging, people can generate good business. They can make new contacts. They can get new ideas. Maybe they even get their problems solved. That's what our founder wanted, so that's where our vision lies. And we're happy that we have made good progress toward that vision.*

*Jenni Tolonen, CEO at Management Events, Helsinki, Finland*



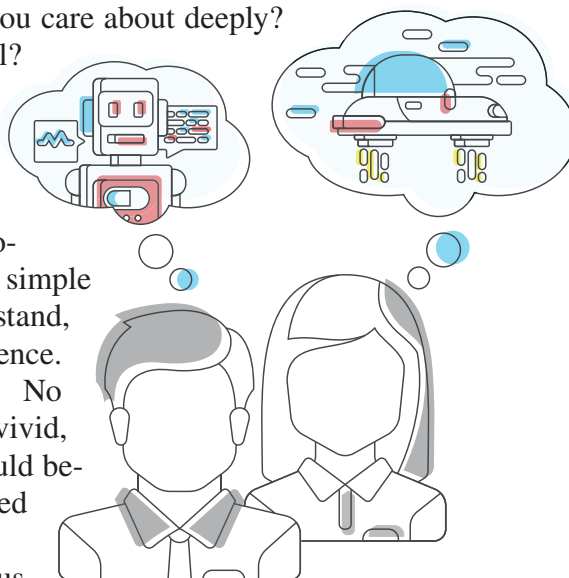
At the risk of sounding like a pedantic hairsplitter—which I probably am—I think what Jenni referred to was originally a company vision and then became a company purpose or mission. The company has already achieved what it set out to do. They have realized their dream and now they want to do more of it. Following commonly accepted definitions, a company's purpose (sometimes referred to as its mission) is about the present. It explains why it does the things it does. A vision is about the future. It explains the lofty goal the organization hopes to achieve. Having a purpose is about being meaningful; having a vision is about being hopeful. Mission is push. Vision is pull. And that's as far as I will go with the pedantic hairsplitting.

An inspiring example of a vision is The Ocean Cleanup, a nonprofit organization headquartered in my hometown, Rotterdam, The Netherlands. With passive drifting systems and advanced technologies, and by using the natural currents of the oceans, this organization wants to clean up half the Great Pacific Garbage Patch in just five years' time. At the time of writing, the company claims to be ahead of schedule. The 24-year-old Boyan Slat, founder and CEO of The Ocean Cleanup, considered his vision so important that he turned it into the company's name!

One of the many reasons why companies fail and screw up is a lack of passion or commitment of the leaders to solve a certain problem. The business drifts to the left, and then it drifts to the right; maybe it even goes in circles. The company is like a garbage patch waiting to be cleaned up by a passionate young founder. Don't let that happen to you. Start visioning!

What is your dream? What do you care about deeply?  
Which vision do you want to make real?

It doesn't have to be something that grabs headlines all over the world, such as cleaning up the oceans. Other problems are more important, perhaps for a smaller number of people. Your Product Vision should be simple enough for people to visualize, understand, and repeat to each other in your absence. No jargon. No buzzword bingo. No long, complicated sentences. Just a vivid, mental picture of something that could become true in the future, communicated with clarity and persistence.



I dream of computers helping us to create better work and better organizations. It is my vision of a better world. Happier workers through better technologies. Product Visions fit well in what I call the *Initiation* stage of the Shiftup Business Lifecycle. I will tell you more about that soon. All in good time. There is a lot of ground to cover in this book. Let's start with a founder story.



For related notes, articles, books, examples, and downloads, check out this web page:  
<https://startup-scaleup-screwup.com/product-vision>.



# Stories of Your Life and Others

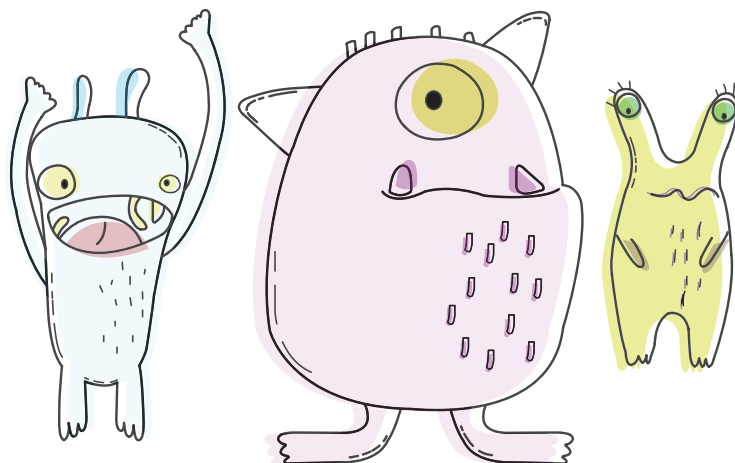
Discover the Business Lifecycle of startups and scaleups and reflect on exploration, execution, and Product/Market Fit.



The idea for my startup was born in Union Square Park in New York. It was summer 2016. I was on tour in the United States to promote *Managing for Happiness*, my previous book, and I was sitting on a park bench, minding my own business, and doing a bit of reading. Around me in the park were people from all over the world, with different languages, clothes, hairstyles, skin colors, and body modifications. However, everyone was playing the same game on their smartphones: Pokémon Go. It was absurd. Hundreds of strangers were walking around with their phones, trying to catch invisible monsters. I had never witnessed a global hype of that scale before. I thought the world had gone mad.

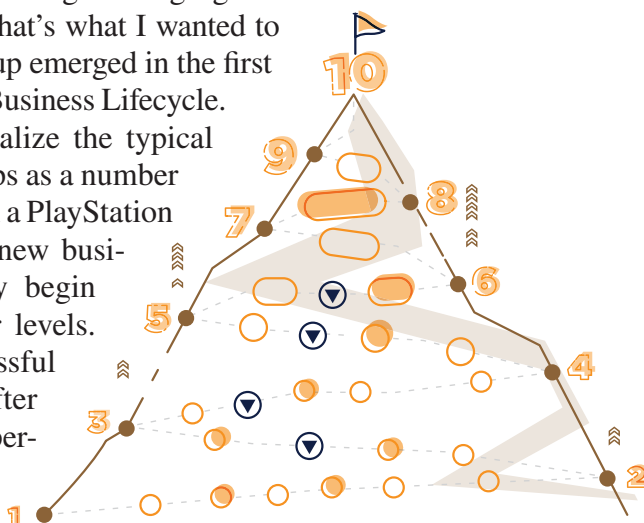
Then something clicked in my head. I thought, “As business coaches, consultants, and trainers, we do our best to get people in organizations to change their behaviors. It can take years for just a few hundred employees to fully adopt agile

and lean practices because organizational change is hard. And yet, within just a few weeks, millions of people are playing Pokémon Go. Isn't that behavioral change, too? How did the game's creators manage to achieve that so quickly? It's unfair!"



I realized that organizational change is often hindered because it's usually not enjoyable. There are no smart algorithms offering employees quests, treasures, levels, and badges. There are no colorful monsters to catch in the company office—and the intern that you tricked into wearing formal suit-and-tie doesn't count. Right there, I saw the opportunity that would later find its way onto the *Problem* slide of my Pitch Deck: organizational change through gamification and machine learning. That's what I wanted to try. It was the moment my startup emerged in the first stage of what I call the Shiftup Business Lifecycle.

I believe that we can visualize the typical lifecycle of startups and scaleups as a number of stages or game levels. Like in a PlayStation game, the first level is where new business ideas appear before they begin their journey up to the higher levels. The top level is where a successful business model goes to rest after wrapping up a long and prosperous life. At the other levels in between, the business model



starts up, scales up, and hopefully doesn't screw things up along the way. What I find interesting is that the best rules and strategies for survival change, depending on a business model's current stage in this lifecycle. The challenges for older businesses are different from those the younger ones are facing. Moreover, the dos and don'ts for startups change significantly once they turn into scaleups. The game of business evolves with the journey.

The lifecycle of business models seems similar to the typical lifecycle of human beings. The game of life starts for us when we're newborns and, much later, when we're old, gray, and (in some cases) ready to say farewell to the world, it's game over. At the other stages in between, we are young; we grow up; and, hopefully, we survive all the monsters that life throws at us, while we keep ourselves busy completing quests, collecting treasures, and earning badges. While growing up, we learn that the things we are allowed to do when we are toddlers, like playing naked in a park, are not quite acceptable anymore when we get older. (It would have been nice if someone had warned me.) Likewise, the naughty things that we were told to stay away from as children suddenly become permissible when we're teenagers and young adults. (Again, it would have been nice if someone had briefed me earlier.) The dos and don'ts for humans depend on the stage in their lives and their level in the game. It's almost as if humans are like businesses.

Note that I refer to the lifecycle of *businesses* (which is my shorthand for *business models*), not *companies*. A startup is a temporary organization in search of a scalable, repeatable, and profitable business model. When the business model is validated, the startup turns into a scaleup. When it cannot be validated, or fails in any other way, it turns into a screwup. Failure is inevitable, because, when the business gets very old, it will screw up anyway. We're born, we grow up, we die. Simple as that.

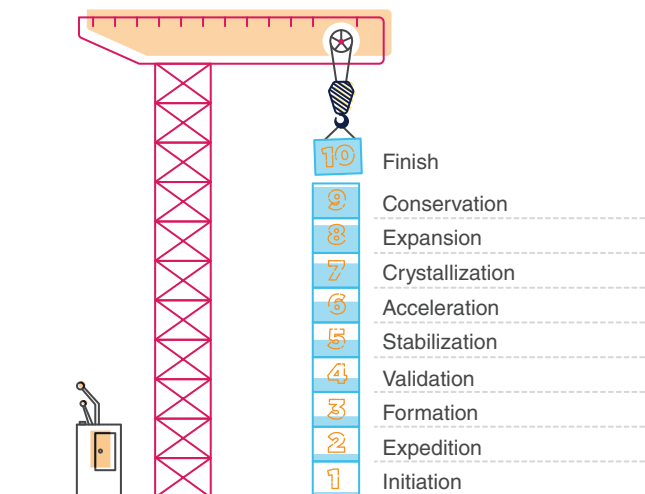
As long as your company operates only one business model, you are dealing with just one lifecycle. But when you have an established company that launches new business models, it is like a family having kids. The offspring has its own lifecycle. The parent business model funds the young ones, and while the parent gets older, the kids start their journeys from the beginning. Young business lifecycles cannot exist without supportive ecosystems in which to be alive.

As a leader, you may be dealing with multiple business models in various lifecycle stages. Your company is just a legal and financial container. When you organize things well, what will start up, scale up, and occasionally screw up, are your business models, not the company itself. Your company is a family. By always renewing itself, it can exist for a very long time. Indeed, many families in this world go back centuries.

I've noticed many times that leaders and entrepreneurs usually screw things up when they do the wrong things in the wrong stage of the Business Lifecycle. For example, startup founders often try to scale up their business without having validated most aspects of their business model. That's as dangerous as a kid driving a car without having earned his driver's license. Other entrepreneurs simply have not prepared for the next stage and then experience significant problems when the environment shoves them into it. That's as naive as a young adult finishing her studies and then still not knowing how to earn her living. At the other end of the scale, it is common for leaders of established businesses to treat new business ideas as formal projects that are expected to forecast their sales, budgets, return on investment (ROI), and net present value (NPV). That's like requiring children to calculate how they're going to pay you back for their cost of living.

I believe that a lack of awareness of Business Lifecycle stages, and their context-dependent rules and practices, is the main reason for screw ups in business. Being aware of where your business is on the typical path will help you anticipate the challenges that you will be facing soon. It will also help you manage your business model correctly according to the natural stage in its life cycle. For the best chance at shifting up to the highest level, kids and grownups need different freedoms and constraints at different levels in the game.

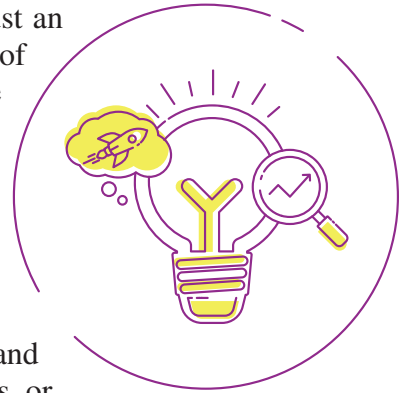
Let's have a look at the 10 levels of the Shiftup Business Lifecycle (Figure 2.1).



**FIGURE 2.1** The Shiftup Business Lifecycle

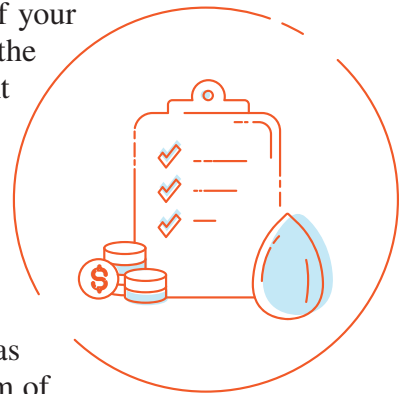
In the **Initiation stage (1)**, your business is just an idea for a new product or service. It has no agency of its own yet. Like a newborn, it needs regular care and attention or else it just withers and dies.

You might call it the familiarization or the preparation level. It is the level at which you start exploring the feasibility and viability of the idea and your purpose as a founder/entrepreneur or an intrapreneur of a corporate startup. In this stage, you earn your income with another role or job, and perhaps you have some discussions with friends or colleagues who, at the next levels, might become your cofounders or team members.



What you need to complete at this first level is your Product Vision and any preparations for seeking Product/Solution Fit, which is the search that happens at the next level. This stage ends when you have been able to secure a small amount of time and resources to start the research and begin the actual game.

The **Expedition stage (2)** is the infant level of your startup. In this stage, everything is done to check the vitality of the idea and to keep the infant alive. At this level, you become a business founder or startup leader because you found a way to pay for further exploration and development of your idea, through bootstrapping or with some pre-seed money from the three Fs: your friends, your family, or your formal or former employer.



The focus of this stage, sometimes referred to as Customer Discovery, is on forming the initial team of cofounders, developing a strategy, and defining the first business model hypotheses that will need to be validated. Most importantly, you must figure out if the product you have in mind is indeed something that customers want to have, by talking with many people and testing your most important hypotheses. Part of this can be done with a low-fidelity Minimum Viable Product, which is the simplest possible prototype of your product that enables you to measure the responses of potential clients.

The stage ends when you have confirmed that you have Problem/Solution Fit. You found a problem that is worth solving; a specific group of target users is willing to pay for your proposed solution (viability), which you are also able to build (feasibility).

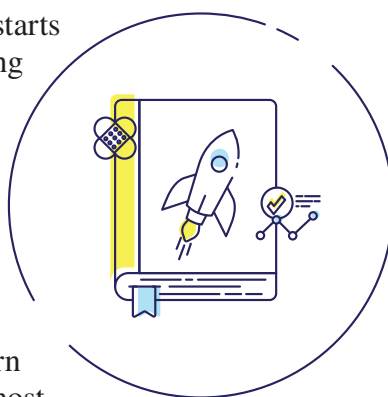
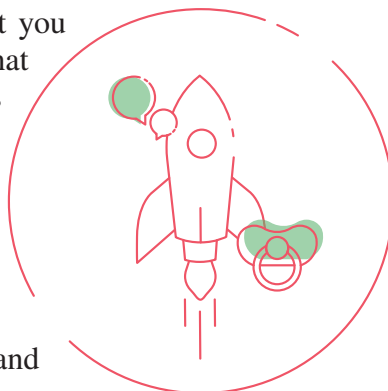
It's only in the **Formation stage (3)** that you become a true founder or business leader. Your startup is a toddler now. It starts communicating and behaving with a mind of its own, but it still needs daily care while it's trying to understand its environment.

Starting at this level, you have validated Problem/Solution Fit, which means you have the green light to begin building a product. But first, you need to get an ownership structure in place, and product development has to be funded by the founders, friends, and family, or maybe through suppliers, early customers, business angels, or a corporate innovation board.

In this stage, you and your cofounders are in the process of becoming fully committed to the new business. After all, when founders cannot even convince themselves to quit their regular jobs and invest some of their own resources in the company, the idea is probably not big enough for others to care about.

This stage may involve shareholder agreements, option agreements, compensation agreements, and professional advisors. At the end of this level, you have achieved Vision/Founders Fit: The cofounders agree that they're in it for the long term to realize their vision. Up to this third stage, the toddler could get away with just playing and tinkering. However, after this level, growing up gets more serious!

In the **Validation stage (4)**, the young child starts learning, either by going to school or by not burning the house down. Your startup begins its work on seeking Product/Market Fit: validating all business model hypotheses. This stage is the most difficult for many startups. At this level, you keep proving the assumptions of your business model until you can show the first signs of traction, growth, and revenue. You learn everything you can about your customers while trying to burn your cash as slowly as possible. You spend most of your time tweaking, patching, and sometimes pivoting,





creating high-fidelity Minimum Viable Products that steadily evolve from early prototypes into near-finished product releases.


In the Validation stage, you validate not only the success of the product but also the size of the market. You have completed this stage when the product is well received, and the market turns out to be large. However, because this level is by definition a search in unknown territory, it might take several additional rounds of funding to get there. At the end of this stage, you have addressed the challenge of Product/Market Fit: You have built something customers want, something they use, and something they happily recommend to others. Also, you've probably cut corners in many ways to get confirmation as early as possible that you are heading in the right direction.

Riina Einberg, general manager at Taxify, sits in a comfortable chair in a trendy, industrial-looking (but temporary) office in Tallinn, Estonia, talking about her experiences with multiple Estonian startups.

*I'm not a CFO or accountant, but I have done plenty of financial work and have always tried to figure out simple enough solutions for startups because if you engage financial experts too early, they tend to overdo it with their processes.*

*In the early stages, the company is usually changing very fast. So, the business needs someone who says, "Okay, let's do what's enough for the current stage, and let's prepare a little bit for the next stage. At some point, maybe we need someone who does this financial stuff full-time and more professionally. But currently, this is enough. We deal with just this part and we leave the rest for later." This has been my role in Finance, HR, IT, and Office Management.*

*Riina Einberg, general manager at Taxify, Tallinn, Estonia*



It is common knowledge in the startup scene that many startups fail because they scale up too early. It's not enough to know that your product is a success and that there is a big market for it. Before shifting up to the Acceleration level, you first need to improve the quality of your processes. As long as you were searching for business validation, you probably had manual accounting and management systems. You spent more time on customer service than on quality control. And most likely, you didn't spend much time on marketing plans and partner channels while