

Please note! This is a self-archived version of the original article.

Huom! Tämä on rinnakkaistallenne.

To cite this Article / Käytä viittauksessa alkuperäistä lähdettä:

Mäkelä, M. 2017. Cross-pollination of lean service creation and crowdfunding. Teoksessa Leena Mäkelä (toim.). MEDAIA : experimenting open innovation in the media field. Tampere: Tampere University of Applied Sciences. Series B, Reports 91, 22-28.

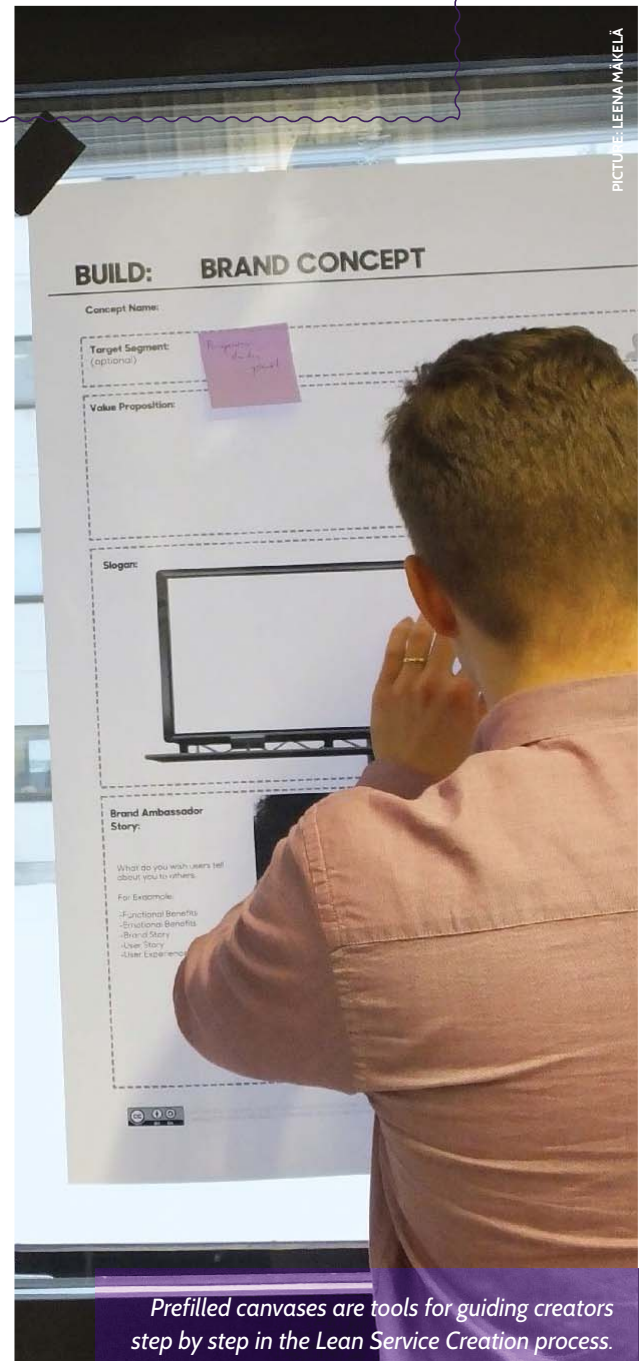
DOI / URL: <http://julkaisut.tamk.fi/PDF-tiedostot-web/B/91-MEDAIA-Experimenting-Open-Innovation-in-the-Media-Field.pdf>

CROSS-POLLINATION OF LEAN SERVICE CREATION AND CROWDFUNDING

Leena Mäkelä

LEAN CUSTOMER DEVELOPMENT INNOVATION

was one of the methods experimented in the MEDAIA project. This method was applied in a crowdfunding workshop organized at Mediapolis in January 2017. Four micro-companies from creative industries worked together with TAMK media students to develop crowdfunding campaigns. Mentors from Futurice, a company that builds digital services, facilitated the workshop using the lean-based Brand Vision Sprint as their main tool. The four-day workshop aimed at finding a brand and a campaign message that brought company narratives, key persons and business models, and the goals of the campaign itself together. Despite being a very familiar concept in the startup scene, lean methodology is still generally quite unknown and was a new tool for the workshop participants, too. This article sheds light on the lean method used in the MEDAIA crowdfunding workshop, describes the different phases of the experience and discusses why lean was worth trying.



Prefilled canvases are tools for guiding creators step by step in the Lean Service Creation process.

WHEN DISCUSSING LEAN METHODOLOGY,

it is important to notice that there are different contexts and methods for implementing lean. The most traditional version of lean methodology is 'lean production' or 'lean manufacturing', derived from Japanese automotive industry and the Toyota Production System in the late 19th century (Holweg, 2006). Briefly, lean production is a method for waste minimization focused on eliminating those elements from the manufacturing process that do not create value for the customers. According to Womack and Jones (2003), lean production is 'lean because it provides a way to do more with less and less – less human effort, less equipment, less time, and less space – while coming closer and closer to providing customers with exactly what they want'.

While lean production covers the overall manufacturing process, in the innovation context lean methods focus on product and service development. In particular, the method has been connected to startup companies along with the lean startup methodology proposed by Eric Ries (2011). Lean startup promotes continuous innovation and learning by presenting a 3-step build-measure-learn process in which all business ideas are tested quickly with real customers, and decisions about further production are based on the lessons learnt during the testing phase. The idea of the lean startup is the same as the idea of lean production: provide maximum value to the customer (and to the business) with minimum investments.

During the first step of the lean startup cycle, a hypothesis is created about a product or service: what kind of a customer problem does the product/service solve and how does it solve it.

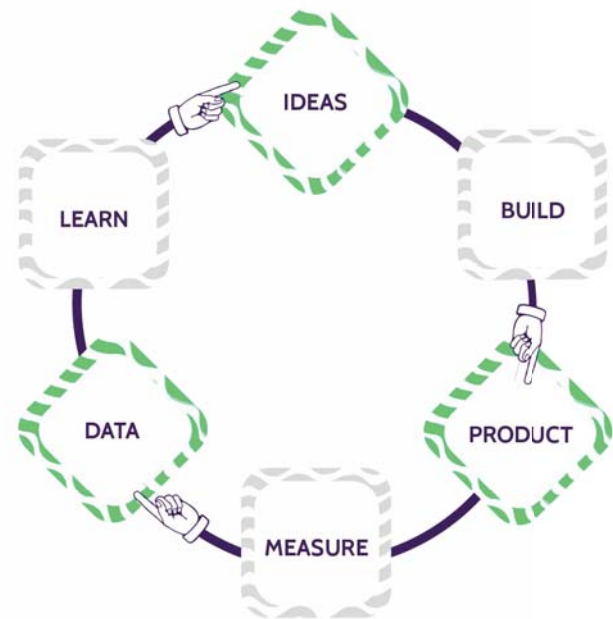


IMAGE: Lean startup process (Ries 2011)

The hypothesis is realized through **building** a minimum viable product (MVP) for testing and measuring whether the product/service really sits with customers. A minimum viable product is the smallest imaginable product the business hypothesis can be tested with. Thus, an MVP does not aim at design solutions. (Ries, 2011.) Following the lean startup principles, **measuring** is done lightly, too. There is no need to win over a large amount of average users. Instead, early adopters who are likely to use the product eagerly and forgive the mistakes of the MVP are gathered to get feedback and to collect data. The last step - and actually the most important goal of the process - is to **learn** from the test results.

The outcome of the process can be the decision to continue with the project by following the abovementioned steps again,

but the results can also show a need for big changes or even abandoning the whole project. The latter especially benefits from lean startup methodology when it comes to waste minimization: with small-scale testing, companies are able to avoid wasting further resources on creating products that will eventually not sell. Lean startup thinking emphasizes the culture of experimentation: according to Ries (2011), an experiment is a first product, not just a theoretical inquiry.

Along with lean startup methodology, lean customer development is also practiced in the context of innovation. These methodologies are not separate from each other since customer development theory introduced by Steve Blank (Blank, 2005; Blank & Dorf, 2012; Alvarez, 2014) is the core element of lean startup thinking. However, lean customer development deserves to be discussed as such because it sees customer development as a separate process from product/service development: while product or service development aims at designing a product or a service, customer development focuses on the customer and especially, on business planning.

Customer development is a parallel process with product development - it creates hypotheses and assumptions for understanding customers: 1) who they are, 2) what problems and needs they have, 3) how they behave, 4) which solutions they are willing to pay for and 5) how to provide solutions resonating with customers' needs (Alvarez, 2014, 2-3). The first rule of customer development is 'getting outside the building' (Blank & Dorf, 2012, 31-32) and meeting and studying real customers. Alvarez (2014, 4) describes lean customer development as a five-step process:

1. Forming a hypothesis
2. Finding potential customers to talk to
3. Asking the right questions
4. Making sense of the answers
5. Figuring out what to build to keep learning

Although lean startup and lean customer development methodologies have been articulated in startup context, they are not applicable only to it: more and more big enterprises and public organizations have also started to adopt the methods of lean startup and customer development. Since MEDAIA aimed at developing innovation platforms and methods, it was relevant to apply the lean method in the project. The consulting partner in the experiment was Futurice Ltd., where the Lean Service Creation (LSC) method was in use. Futurice began to develop its lean methods in 2013. (Sarvas, Nevalinna & Pesonen, 2017.) They allow open access to the material for anybody interested in applying the method, and the handbook and toolbox of LSC can be uploaded from www.leanservicecreation.com.

LEAN SERVICE CREATION AND THE CROWDFUNDING WORKSHOP

The Lean Service Creation consists of a set of canvases, which guide service creators step by step in the service creation process. The canvases are tools for achieving versatile objectives. They push service creators to collaboratively provide concrete results throughout the process. Each canvas has a specific goal and checklists that help team members to focus on and to answer questions that are business-wise relevant in the innovation process. The canvases are designed to be



Liisa Korpela and Ilkka Auer from Futurice used their Lean-based Brand Vision Sprint for the facilitation of the crowdfunding workshop.

physical posters so that team members can see, discuss and share the results in a concrete, visual way. The templates give a common structure and language to teams, which are, ideally, multicultural and multi-skilled. Fast pace is a central feature of the process; there are time limits to filling the canvases and teams are pushed to make decisions. As in lean customer development, potential customers are contacted and interviewed at a very early phase. The outcome is a Minimum Viable Product to be tested with real customers. The MVP can, for example, be a landing page, a form, an explainer video or a fake advertisement.

In the MEDAIA project, Lean Service Creation was applied in a crowdfunding context. The City of Tampere has promoted crowdfunding in its Six City Strategy activities, and one of our objectives was to cooperate with the city. Crowdfunding is also a possible method for financing projects in the media industry.

In addition, crowdfunding is a potential specialization area for media professionals, as media and storytelling skills are always needed in crowdfunding campaigns. Therefore, the crowdfunding workshop did not focus on crowdfunding in general or on the whole campaign process from beginning to the end, but the objective was rather to create a brand for a campaign. Brand Vision Sprint was one of Futurice's lean methods implemented in the workshop. The participants of the workshop were representatives of four micro companies from the creative field and TAMK's media students, who helped the entrepreneurs to create and visualize stories and a brand for their campaign ideas.

First Phase – Love the Problem

The first phase of the process was positioning the company and its crowdfunding idea within their specific industry, and identifying the

business problem that needed to be solved. Instead of starting to immediately develop the campaign content, a few steps back were taken to focus on answering business questions such as why the company wants to launch the campaign, what are the company and the people behind the campaign like, who are the customers of the campaign, and how the proposed solution could solve customers' problems. Answers to these questions were crystallized on the 'target audience mapping' canvas, which helped create a hypothesis about the target audiences, who were they, what they value and believe in, and how they live.

Second Phase – Getting Customer Insight

Following the lean customer development principles, the next phase meant going out to get customer insight by interviewing potential customers. The idea was not to ask direct questions about the solution that was to be crowdfunded. Instead, the goal was to uncover customer desires and problems related to the proposed solution in customers own words and in their own sphere. The motto of LSC, 'Love the problem, not the solution', emphasizes a customer-driven approach which aims to generate services that customers really need and want to buy. It also promotes the principle of being open to changing your plans, e.g. to abandon or to make changes to the original solution when customer interviews show that the original idea does not work. At the crowdfunding workshop, customer understanding was deepened by creating a 'customer insight canvas' which documented the answers of the interviewees, highlighted the key findings and rounded up surprising results - which can be a truly essential in terms of finding new and unique solutions.

Third Phase – Minimum Viable Brand

The third phase of the workshop focused on brand creation. The most relevant ideas and customer insights that had sprung up during the earlier steps were compiled on a 'minimum viable brand canvas'. On this canvas, the participants generated a value proposition to customers, descriptions of target audiences and market positions, brand identity (e.g. values and characteristics of the brand), visual identity and the brand name. A backstory of a brand evangelist was created to support the brand vision. Since the aim of the workshop was to build a brand for the crowdfunding campaign, the concrete execution of the campaign itself was not planned in detail. However, a reward system for the campaign was created and at the end of the workshop, the teams pitched their campaigns.

REFLECTIONS ON THE EXPERIMENT

Both lean methodology and crowdfunding were new concepts to the participants of the workshop, and it was challenging at times to experiment a new method in a new context. The concept of company participants not only giving tasks to students but instead working together with them as a team was also new to everyone. The lean method is often used in product and service design and applying it to crowdfunding campaign design was new to the Futurice mentors, as well. However, crowdfunding as such is a lean process and proved out to be well-aligned with lean service creation. Crowdfunding is a fast method for testing whether customers want to invest on a solution or a company at the beginning of service or product development.

Because of all the novelties related to the project, the four-day time frame was pretty limited for creating a campaign brand. Customer interviews especially would have required more time than the one day scheduled for them, and the participants also would have needed more info about crowdfunding campaigning. It was not always easy for them to understand how the lean canvases and questions were related to crowdfunding projects.

However, the representatives of micro companies found focusing on business problems and customers during the process very useful. What happened in the workshop was that instead of only building brands, the companies also ended up redefining and developing their project concepts while building lean canvases with the media students. The customer interviews also gave them a better understanding of their target audiences.

The following remarks were listed in the Retro session arranged after the workshop:

- The companies now understood campaign target groups as well as their own business stories more clearly.

- The entrepreneurs felt that the canvases were helpful, although there were quite many of them.
- The planning of crowdfunding campaigns and pitches would have required more attention and comparing different examples of crowdfunding would have been helpful.
- To many, the Lean Service Creation -method was new, and therefore the different stages could have been more thoroughly explained beforehand.
- Learning from other companies' examples was a positive thing.
- Both the entrepreneurs and the students enjoyed the collaboration, and the entrepreneurs found the students helpful as they, for example, brought fresh and new ideas to the table.
- The students got a very close look at the business activities of micro companies.

As always, all the pieces were not in the right place on the first try, and in the facilitation of the workshop, more attention should have been placed especially on the concept of



crowdfunding. However, the Brand Vision Sprint helped participants to better understand customers and how to create successful campaign messages for them. Student-entrepreneur teams worked well together and are also worth implementing in future TAMK and Mediapolis projects. While marketing the workshop, we learned that there is a need for communication and video experts in crowdfunding campaigns. Therefore, this workshop also strove to develop participants' competencies in these specific fields.

Right after the workshop, three companies were planning to carry out a crowdfunding campaign. One of them, Filmloop, realized their campaign just a few months later. Filmloop did not manage to achieve their funding goal, but the whole experience proved useful as Virva Heinimaa from Filmloop explains in her article later on in this publication.



REFERENCES

Alvarez, C. (2014). *Lean Customer Development. Build Products Your Customers Will Buy*. Sebastopol, CA: O'Reilly Media, Inc.

Blank, S. (2005). *The Four Steps to the Epiphany: Successful Strategies for Products that Win*.

Blank, S. & Dorf, B. (2012). *The Startup Owner's Manual. The Step-by-Step Guide for Building a Great Company*. Pescadero, CA: K & S. Ranch Inc.

Holweg, M. (2006). *The genealogy of lean production*. Journal of Operation and Management, 25(2), 420-437. doi: <https://doi.org/10.1016/j.jom.2006.04.001>.

Ries, E. (2011). *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*. New York: Crown Business.

Sarvas, R., Nevanlinna, H. & Pesonen, J. (2017). *Lean Service Creation. The Handbook V1.8*. Futurice LTd., www.leanservicecreation.com.

Womack, J. P. & Jones, D. T. (2003). *Lean Thinking. Banish waste and create wealth in your corporation*. New York: Free Press.