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SPEED READ

- More and more businesses applying lean principles
- Financial services industry faces greater challenges
- Lean approach has potential to innovate
- Approach can be applied to a number of disciplines

TEST AND TWEAK

Adopting lean startup methodology can drive real growth by reducing risks and getting firms to market more quickly. But it's a challenge. ANDREW LITTLEWOOD explains more.



Two and a half years after its publication, the buzz surrounding the principles popularised in Eric Ries' book, *The Lean Startup*, has not abated. In fact, quite the opposite – day by day, more businesses are innovating by applying lean principles. Although Silicon Valley is a far cry from the Square Mile, the methodology holds important learnings for financial services firms.

Originally conceived as a way of helping startups achieve rapid growth, the key principle that lean embraces is to set aside elaborate upfront planning in favour of testing hypotheses, essentially good guesses, directly with consumers. Each element of the business model is tested as rapidly and cost-effectively as possible using Minimum Viable Products (MVPs).

Using customer feedback, assumptions can be revised and the offering iterated with small adjustments, or put through more substantial changes in direction (pivots). The result is a lower risk, more efficient process for delivering products that consumers actually want. The approach has already found favour with startups. Dropbox, for example, grew from 100,000 to 4 million users in just 15 months by following lean startup principles.¹ But recently larger companies have started to recognise its potential – particularly for innovating their approach to product development.

Intuit has embraced lean at all levels of the company, whilst General Electric has trained over 1,000 employees in the methodology as part of its FastWorks programme.² And this trend doesn't show any signs of stopping. Recently, Javelin, an organisation which helps large corporations implement lean principles, raised \$1.5m in funding.³

But will lean ever take root in financial services firms? It's important to acknowledge that the industry as a whole faces greater challenges than other sectors looking to embrace lean. Firstly, regulation – as an illustration, financial services firms must be able to demonstrate what consumers have been exposed to and show that each product is meeting consumer needs. This means that all products (MVPs included) require compliance sign-off. For lean to work in this context, compliance departments themselves would need to be agile and have bought into the lean methodology. Secondly, for lean to have real benefits, every department needs to recognise its value and be involved in creating a unified approach. In multi-matrix financial services organisations, this would require an overhaul of the entire product development process and, with it, a significant change in mind set.

With such barriers in the way, it's easy to see why financial services firms may be hesitant to embrace lean principles. However, these challenges are not insurmountable and those organisations able to overcome them will reap the rewards.

Lean has the potential to innovate approaches to a number of disciplines

across a financial services company. Firstly, it allows for a smarter approach to product selection. With its emphasis on testing propositions with target customers quickly, cost-effectively and at an early stage of the process, a lean approach enables firms to prioritise concepts and choose the best to take to market. Lean also facilitates the development of more customer-centric propositions. The iterative approach associated with the methodology brings customer feedback to the heart of the product development process so propositions are more likely to resonate with customers and meet their needs.

What's more, lean methodology when applied to marketing allows effective campaigns to be developed, as a result of testing with consumers in a real-time, real-life environment.

Lean principles could transform financial services, and as an industry we have a responsibility to overcome the barriers that prevent us from embracing this methodology. Not only will this have significant benefits in the realms of product development and marketing, but most importantly, by innovating their approach, long-standing financial services firms will be able to compete effectively. With ever more startups emerging that are adept at using lean techniques to disrupt the market and drive rapid growth, existing firms will need to adapt to survive. ■



¹ <http://theleanstartup.com/casestudies>

² <http://www.boardofinnovation.com/my/>

³ <http://blogs.wsj.com/venturecapital/2014/03/05/javelin-raises-1-5m-to-bring-lean-startup-method-to-big-corporations/>