

## INNOVATION THROUGH EXPERIMENTATION: THE DUAL IMPACT OF LEAN STARTUP AND GROWTH HACKING METHODOLOGIES

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### ABSTRACT

In the process of validating a value proposition or a business model, it is commonly acknowledged that the initial business idea rarely makes it to market in its original form. In the early stages of a startup, an idea is formulated, a Minimum Viable Product (MVP) is developed, and tested through the Lean Startup methodology (Reis, 2011). Following this phase, if the startup progresses, the MVP is either enhanced or completely changed (pivoted). Upon successfully validating the business model, the startup proceeds to market entry. At this step, many startups employ the Growth Hacking approach, or similar approaches, to foster growth and try to scale their business (Holiday, 2014; Cavallo et al., 2023). Growth hacking has been viewed as a marketing technique leveraging creativity, analytical thinking, and social metrics to sell products and gain exposure (Ellis & Brown, 2017). It can be seen as part of the online marketing ecosystem, as in many cases growth hackers use techniques such as search engine optimization, website analytics, content marketing and A/B testing. Growth hacking has been, since then, leveraged by several born-digital companies (e.g., Dropbox, Google, Airbnb, Meta, LinkedIn, Pinterest, PayPal and many others) to improve business scalability and to boost growth. Strategies like referral programs, free trials, loyalty mechanisms have been proved effective in driving growth. Recent studies have pointed out that Growth Hacking can be used by any type of enterprise to scale a business, scale, optimize processes, develop new products and services, and improve some business activities (Bargoni et al., 2024a).

Despite the widespread application of these methodologies, theoretical understanding of the use of Growth Hacking, including its organizational, managerial, and strategic dynamics, remains limited. Only recently has scholarly literature begun to investigate this approach (e.g. Bohnsack & Liesner, 2019; Troisi et al., 2020). Furthermore, there is even less understanding of how the two methodologies, Lean Startup and Growth Hacking, can be synergistically used to maximize growth. Often, these methodologies are confused. However, it can be argued that they are both experiment-driven approaches, fuelled by data-analytics, aimed at developing a product, service, or business model (Lean Startup) or facilitating growth (Growth Hacking). Recently, scholars have suggested viewing Growth as a methodology for conducting experiments not only on products and services but also on

channels, campaigns, and other business activities (Bargoni et al., 2024a). Moreover, this approach is beneficial not solely in the context of platforms but also within traditional enterprise environments (Bargoni et al., 2024c).

In this context, the present paper aims to elucidate, unveil and discuss the interconnection between the Lean Startup and Growth Hacking methodologies, both in terms of theoretical understanding and practical application.

To gain a deeper understanding on how Lean Startup and Growth Hacking principles can be used together to simulate the innovation-growth-innovation loop, we adopted a qualitative approach, combining Gioia's methodology (Gioia et al., 2013) and phenomenography. As defined by academics (Denicolai & Previtali, 2023) phenomenography is an interpretive process to reveal the heterogeneity of managerial mindsets and practices. Furthermore, to gather all the relevant and recurrent concepts from the interviews in an inductive way, the Gioia method is applied. Information is primarily gathered through semi-structured interviews, integrated with data from both publicly available sources and materials provided by respondents.

Given the aim of this study, we focus on companies that implement growth hacking strategies to fuel innovation. Growth hacking, being a process or even as defined by some interviewees a mindset, is not industry specific but rather can be applied to any sector or company.

We purposively selected four companies that formally and informally collaborate with the university where the authors work. This led to constant discussions between the researcher and various managers and employees of the companies under analysis. The involved companies are startup or scaleup adopting a platform business model (Cusumano et al., 2019; Madanaguli, 2023).

The results of the case studies suggest that the Lean Startup approach has been extremely useful for building an MVP and improving it for market launch. On the other hand, Growth Hacking contributes to collecting all types of data useful for analysing the target, their needs, challenges, and the perception of the value proposition. Therefore, from the perspective of value configuration, the company must transform into a data-driven decision-maker to support all business areas and the growth team. Data will then be the engine of key business decisions. Hence, data analysis allows for better market segmentation and the identification of new needs, to be addressed with a new product or services, which can support the initial value proposition or even become more important than it in terms of revenue and total addressable market. Firm1, for example, offered a business model with limited production capacity at its early stage. Thanks to the analysis of structured and unstructured, quantitative, and qualitative data (such as interviews, reviews, etc.), they understood there was a new market potential with new needs. Therefore, a new service was launched, tested with a lean startup

model, and then scaled. Today, this service brings in more revenue than the previous one. The same applies to Firm3, whereas two more services have been developed thanks to data analysed during the Lean and Growth phases. Firm2, on the other hand, developed a new service to support the core service, thanks to the Growth methodology. Firm4 drafted the new service, which is based on a subscription revenue model which brings various advantages in terms of recurrent revenues and forecast capabilities, during the scaling phase. In summary, the four startups experimented to: a) develop new business ideas by segmenting users and/or gathering and analysing data during the scaling phase; b) draft a new VP implementing the Lean Startup principles; c) grow and scale the new service using Growth Hacking strategies.

In conclusion, the paper offers the following insights. First, the paper emphasizes the importance of continuous identification of new growth opportunities — through data analysis, interviews, surveys, business model analysis, micro-segmentation, etc. Rarely will the first business idea turn into a successful product. Ventures must be able to analyse the market and continuously search for the famous product-market fit, and launch new products and services. Second, the business model innovation should be driven by the scientific and experimental approach, collecting data and continue modifying with a loop process. Third, Growth Hacking is not only for scaling. While growing, it is always necessary to adapt change certain aspects of the business model. Ultimately, the key objective of the scaling phase is to acquire a better understanding of users and various market segments.

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