FLOURISH

BUSINESS SECRETS FOR PRODUCT MANAGERS

A HANDBOOK

BY STUART DALRYMPLE

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Note: The material contained in this book is set out in good faith for general guidance. It is a passion project, through which a PDF version will always be available for free. It is intended only to share knowledge amongst the product community.

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Feedback

This book was a passion project with the goal of knowledge sharing and giving something back to the community I've learned so much from. That is why it will always be available as a free PDF.

I'd love to hear your feedback on this book; what you liked, what you didn't, how it could be improved. With your feedback, I hope to revise the content and make it even better for future readers.

How to read this book

This book has been written to follow a logical progression of concepts, whilst being a handy reference guide. Thus, whilst it is meant to be read in order, you can jump to any topic of interest. Each chapter consists of three topics that outline the critical concepts you need to know to take your Product Management skills to the next level.

Business Strategy is fundamental to building competitively sustainable products. Whether you're new to a Product role, or simply want to take stock of where your existing product is heading, having a firm grasp on strategic concepts will help shape your thinking.

Culture is the secret ingredient of high performing teams. Many people in Product might feel that 'culture' isn't within their power to control or influence. However, this is not true. Whilst you might not be able to change your corporate culture, every team has its own cultural norms and values, which you can and should look to influence to get more positive outcomes.

Game Theory will help you put yourself in your competitors' shoes and offers useful frameworks for making decisions.

Feature Prioritisation is the nuts and bolts of product management and helps you frame what to work on and why.

Roadmaps may be going out of fashion inside the Product world, but most job descriptions and senior management teams will still expect the Product Manager to produce and maintain one. Learn the pitfalls to avoid and understand what kind of approach can give you the room to pivot.

Negotiations can have the single biggest impact on your career. This chapter outlines how to plan, approach and execute your negotiation on anything – including your salary as a Product Manager.

The final chapter on **Leadership** will help you execute everything you've learned so far, raising your profile within the business and helping your teams to flourish. This section is just as important for Product Managers without any direct reports. Being in Product, you have a wonderful opportunity to position yourself as a thought leader and to lead through positive influence.

Lastly, I have included all the frameworks used throughout the book in a section called **Templates** at the end. These will serve as handy reference guides for you in the future. I have also included any additional reading / credit the source of those frameworks if you wish to study them further.

1.
Business Strategy

Saying ‘no’ as a Product Manager

A key skill for any Product Manager is saying ‘no'. You need to actively choose which things to do, and which not to do. This is different to simply not getting around to doing something in your backlog. It's a conscious ‘we're never going to do that’ type of decision. It's also one of those topics you read about that sounds easy on paper, but can prove to be quite difficult in reality.

So how can you make it easier?

The best way to start is to formulate a clear strategy upfront. Most well-known brands and start-ups have strategies which involve saying 'no'.

- IKEA said **no** to pre-built furniture
- Tesla said **no** to fossil-fuelled cars
- Afterpay said **no** to variable payment schedules
- Dollar Shave Club said **no** to retail distribution
- Twitter said no **to** more than 140 characters (for a while)
- Jiffy Lube said **no** to pretty much anything not lube related

It is the same for software. BaseCamp is known for saying a hard 'no' to Gannt charts. Some customers asked for it. Competition sprung up that offered it. It didn't matter. As a company, doing Gannt charts was one 'no' that BaseCamp would stick with. And by most people's accounts, BaseCamp is a hugely successful business.

This is an example of a trade-off in action. All the time and resources that were saved on *not* building Gannt charts went into other things; R&D, marketing, sales, reducing tech debt, customer onboarding, analytics, the list goes on.

Okay, so we get that saying 'no' and trade-offs are powerful. How then might you start formulating a clear strategy to enable that?

The answer lies in the three key pillars of business strategy (*Porter, 1996*):

1. Positioning - *what you serve and who you serve it to*
2. Trade-offs - *choosing which activities to do, and which not to do*
3. Fit - *how the activities you perform interrelate*

To understand which trade-offs to make, first we need to identify a unique and valuable position. Trade-offs will then become more apparent. With positioning and trade-offs in place, we will have a *competitive* strategy. However, that is not enough. For it to become a *sustainable* strategy - one that cannot be copied over time - we need to maximise the fit between our activities.

Finding a valuable position

By definition, a strategy should help you win. You can win by gaining incremental advantages, and these can be achieved by strategic positioning. Let's review the three kinds of strategic position.

1) Variety-based

You're a specialist. You do one niche thing really well for a lot of people.

Some examples:

- Boost Juice offers many people a refreshing smoothie
- Medium allows many people to read and publish blogs
- Trello allows many people to keep track of tasks
- MailChimp allows many people to send email campaigns

2) Needs-based

You're a one-stop-shop. You do everything for one set of people.

Some examples:

- IKEA makes any and every kind of furniture for home-makers
- Bunnings has everything hardware and outdoor for DIY enthusiasts
- Microsoft Office is a complete toolset for word processing

3) Access-based

You're the big fish in a little pond. People don't have any choice but to use you.

- Carmike Rural Cinema operates in American cities with less than 200,000 people

By taking a strong position, you focus your resources on pleasing a group of people consistently. Another side-benefit is that you can actually gain fans through what you say ‘no’ to doing. In our BaseCamp example above, there are no doubt users who dislike traditional project management and Gannt charts. Therefore, the fact that BaseCamp actively says ‘no’ to them, only reinforces that this product was made for people like them. Similarly, you will hear about IKEA customers who “love putting furniture together”. For them, this ‘no’ is actually a benefit. Thus, trade-offs can build loyalty amongst your target segments.

> *“When we try to please everyone, we end up pleasing no one* - Simon Sinek

Competing at a given position

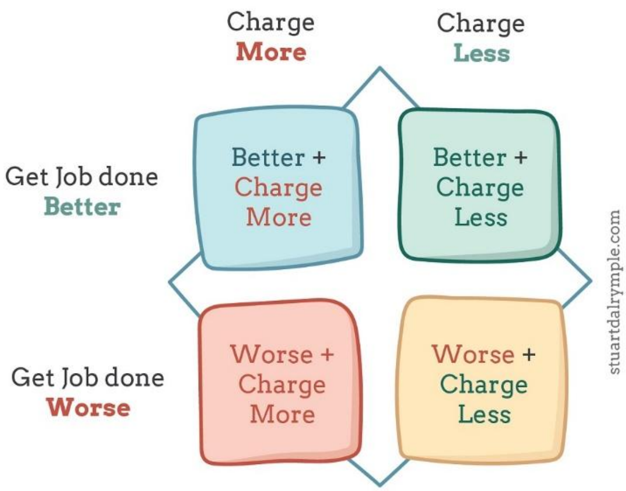
Assume you are assessing a new market opportunity and have a position in mind. There are already some existing competitors. Why would anyone choose you?

Or perhaps you have an existing product and you're struggling to compete. How do you make that shift to get an edge on your competitors?

There are two key decisions to make from within your position:

- Whether you will offer better quality, or worse
- Whether you will offer a higher price, or lower

These form the axis of the Jobs-To-Be-Done Growth Strategy Matrix (Ulwick, 2016):



Let's look at when each of these approaches will work.

Better quality + charge more

This is great when there are **underserved** customers. These people have an unmet need and will pay a premium for it to be filled. This is also known as a ***differentiated*** strategy. These are the premium products in any category. Premium examples include Tiffany & Co, Boston Consulting Group, and Salesforce.

Better quality + charge less

This always works, **if** you can pull it off. Either you have a new technology, a new way of working, or perhaps are willing to survive on lower profits (and live off ramen noodles). This is a ***dominant*** strategy. Through innovation, many successful start-ups have created a better product at a lower price. Dominant examples include Netflix and Uber.

Worse quality + charge more

This is ideal when customers have limited options, aka an access-based position. If you've ever bought food from a cinema, you'll know about getting a worse product for a higher price. This is a ***discrete*** strategy. Discrete examples can include auto-mechanics in rural areas (no offense!).

Worse quality + charge less

This is the other hotbed for start-ups to play in. This works for overserved markets, where existing products are too expensive and too high a quality for what people want. This is the disruptive strategy. Disruptors include IKEA, Dollar Shave Club and Airbnb.

Business growth strategies that don’t work

Selecting a strategic position on paper is easy. Implementing it is hard.

Positioning traps typically appear once you have some wins under your belt and start growing. Increased customers mean increased requests for new and improved features. It also typically means greater expectations from management to grow even faster. Mo’ money mo’ problems.

- Senior management want to launch more products. More products = more profits!
- Marketing reports that our competitors have a new offering that we need to copy to stay relevant.
- The sales team talk about barriers to sale and **that one extra thing** that will help sign more deals.
- Customer support want a better user experience and to fix all the bugs.
- Existing customers know your product and they know about the gaps. Now they are the “power users” and want improvements.
- New prospects like the system they have. Unless you can do everything as good, or better, they won’t want to switch.

Any combination of the above could spell doom for your trade-offs, and thus your competitive position. Let’s dive deeper into the four positioning traps, so you can better avoid these failed business growth strategies.

1. Copy Cat

We've all seen this before. Someone shares a competitor's latest website or email campaign. They are announcing a feature you don't have.

Soon, your sales and marketing people are asking for it. New prospects get word of it, and senior management are saying it's now a table stakes feature that we just have to get on with and build. An emergency meeting is held about how you're going to respond, which could involve compromising your position.

2. Your Wish Is Our Command

This happens when a customer is deemed more important than your product. Either you have very few customers (and feel the need to pander to them to keep afloat), or you've landed a whale customer. Being the biggest account, they throw their weight around and demand you build what they want 'or else'. When they say jump, your management team asks, “how high?”

The road to consulting-ware is paved with this kind of wish-granting. The roadmap is always twisted towards the latest shiny object for your biggest customer. After a few years of this, you'll have a confusing and bloated product that is ripe for a focused disruptor to capitalise on.

The customer in question may have your best interests at heart. However, they are certainly going to be biased in their thinking. They do not have to pay the costs for you. From the opportunity costs, the coding time, ongoing maintenance and support, technical debt and more, doing these things is certainly taking you away from doing other ones.

3. Straddling Two Positions

When you take a position, you simplify everything. Both internally and externally, people understand your brand, where you sit in the market, and who you serve. When I mention Tiffany & Co, you know to expect high end jewellery, service and experience, as well as that light blue carry bag. They are a differentiated, premium brand.

In contrast, when you fly with Southwest airlines, customers know to expect no frills and little leg room, in exchange for the lowest price. They can offer this low price because they are making trade-offs (like not offering any food). They are a disruptive, budget brand.

However, what happens when you straddle between two positions? Could you not capture two different segments and make more money?

Continental Lite tried to straddle and it cost them millions.

They were a premium, full-service airline that tried to offer a 'budget' option at the same time.

The problem was that customers associated the Continental Airlines brand with good service. Therefore, despite the "Lite" moniker and cheaper price, customers were disappointed in what they received.

Continental Lite didn't enjoy the operational efficiency of Southwest because they hadn't made the same trade-offs in plane type, food service, and hub-and-spoke model. This meant their cost base was higher and so their profits quickly disappeared.

Ultimately, Continental Lite was a disaster born out of the lack of courage to make trade-offs. Straddling weakens your brand and confuses customer and staff expectations. It's why you don't see a drive-through Tiffany & Co offering cheap rings.

4. Growth Trap

Often, the pressure to grow causes companies to get either desperate or overconfident. They want to offer more products, a bigger menu, more features, more integrations, and go into other verticals and markets, all in the search of more money. These activities also dilute you from being the absolute best at what you do.

Bunnings Warehouse, for example, made a monumental disaster by taking their extremely successful "big box, one stop hardware shop" from Australia to England. They simply assumed that something that worked in one country would work in another. This failed venture ultimately cost the Bunnings Group $1.7 billion - money that could have been spent strengthening their local position even further.

What are the options to grow your position?

The positioning traps are cautionary tales that come with wanting to grow your business. So, what other ways are there? Typically, you can broaden your position or deepen it.

Broadening your position

Mailchimp is synonymous with simple email campaigns. For a long time, they were specialists in this area; it was the only thing they offered. However, the growth trap is powerful.

How could they continue to increase revenue and market share? In recent times, they've chosen to broaden their position, moving from a specialist of sending emails, to a *one-stop-shop*, where you can now send emails, text messages and snail mail.

I wonder what they gave up by adding these services?

Certainly, there was an opportunity cost. Adding multi-channel communications took investment away from new email features, integrations, bugs and more. They diverted resources from defending their position as the go-to email service, to build new products.

They also introduced competition to themselves. There are already other "full service" marketing products out there (from Salesforce, Hubspot, etc), which include stronger CRM elements than Mailchimp. By broadening their offering, Mailchimp has moved from having a dominant offering (best at email + best price), to a disruptive offering (less overall features + lower price).

When customers are looking for a fully-fledged marketing solution, there is an increased consideration set, which could harm them overall. I don’t have the data as to whether this choice was justified, versus doubling-down on email features or other ventures. However, it would make an interesting case study.

Deepening your position

Rather than broaden your position, it is often stronger to deepen it.

Boost Juice is a great example of a company that stuck to its core offering. It offers smoothies that are positioned as tasty and healthy. They are a classic *specialist* (or variety-based position). Once they had conquered Australia, they had two options to grow:

1. Transition into a 'needs-based' position (a one-stop shop)
2. Deepen their current position (expand geographically)

The growth trap would have been pulling Boost Juice to expand their product lines. They could have offered fresh sandwiches, wraps, salads, and more. However, imagine the complexity that adds to their supply chain, training, marketing, service experience, the list goes on.

Instead, they chose to deepen their position. They kept the same position and product line, and expanded globally. They already had the recipe for success; they just rolled it out to a larger area. By leveraging their brand and position, they became an even bigger success.

What Next?

Now, let's do a health check. Where does your opportunity - or your existing product - fall on the matrix above? Michael Porter says you want to be anywhere but "stuck in the middle". Many market leaders of the past have become extinct trying to hold on to the middle. From Blockbuster, to Nokia, to Yahoo; you simply can't survive in the middle.

Any old school Dungeons and Dragons player knows you don't want to become a generalist; better is to “min/max”. This means you minimise one statistic (e.g. Magic), to maximise another (e.g. Strength). You make the trade-off and go all the way with it, to become the ultimate *Magician* or ultimate *Warrior;* not the *ruggard innkeeper who can perform a light show*.

The heart of strategy is choosing what not to do, so you can nail the things you are doing. The next time a customer/senior manager asks you to put something on your Product roadmap, remember, you want to min/max your product. Don't be stuck in the middle. That probably means saying 'no'.

The secret to ensure no one can copy you

If someone were to take your business concept - then add better people and more money, could they beat you at your own game? Even if you have a competitive position, rarely is there anything stopping someone from doing the same thing *even better.*

A strategy must be more than just competitive - it must be sustainable. Meaning that others can't simply copy it.

For a long time, the secret was thought to be operational excellence. Japanese companies like Toyota had mastered 'lean manufacturing'. They had 'operational core competencies' that were thought to be a sustainable source of advantage. However, this was false. These techniques were not secret; they were studied and lauded the world over, such that other companies have followed them.

Whether or not those copy-cats reached the heights of Toyota in their efficiency is not the point. The advantage was negated enough that it was no longer a strategy on its own. In the strategic arms race, operational effectiveness is now table stakes. Those without it will die, but it will not separate those that remain.

The real secret is strategic fit. This is the concept that it's not just the activities you choose to do, or how you do them, but how they reinforce each other that counts.

Let's use IKEA as an example. When entering the market, their offering hit a sweet-spot for an overserved market; here was a cheaper alternative to store-bought furniture, with a modern twist. It was a disruptor that offered flat-packed products at a cheaper price.

Given their success, why do they have no real competitors? Why has no one copied their model identically with any success?

Many might answer this question with “economics of scale”, however, that’s not accurate. It certainly has a protective moat that makes it more expensive for others to compete (or detracts entrants), but this could be overcome. There are many companies (and people) richer than IKEA. If Amazon, really wanted to build a furniture business, IKEA’s economies of scale wouldn’t stop them.

One of the reasons it *would* be hard to do is strategic fit. This is the combination of activities - how they are done, and how they reinforce each other. Let’s list just a few of the activities involved in IKEA’s business model:

1. Design expertise in flat-packed furniture
2. 1000’s of new product offerings every season
3. Maze-like store layout with child-minding facilities
4. Warehouse & logistics
5. Web store, smartphone apps & catalogues
6. Large warehouses in strategic catchment areas
7. Information on supply & demand to balance inventory costs and meet supply
8. Cafeteria with meatballs as popular as your furniture!

The list could go on, however, we can stop at 8. Notice I didn’t list IKEA’s low-cost base due to volume purchases.

Now if Amazon wanted to truly “copy” IKEA, they would have to perform each activity above as well as IKEA. It would be difficult to perform each one as well as IKEA, but let’s give them the benefit of the doubt. Let’s say they could achieve effectiveness as high as 99% for each activity:

Brand	#1	#2	#3	#4	#5	#6	#7	#8	Total
IKEA	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100%	**100%**
Amaz on	99%	99%	99%	99%	99%	99%	99%	99%	**92%**

Even with the ability to copy IKEA at 99% effectiveness, the end result is only 92% as good. You can start to see all the pieces a competitor would have to get right to be on par with them. By being smart with the activities you choose to do (and don’t choose to do), you can already make it harder for competitors to copy you.

This is also true for software.

Hubspot is a marketing software suite that has recently taken on goliaths such as Salesforce and is able to hold its own. Part of that is the strategic fit of activities they’ve selected – however, it’s more than that. Let’s use them as a lens to look through the three levels of strategic fit.

First order fit → simple consistency

This occurs when the activities selected align with the company strategy. The combination of all the activities then add up to a cumulative benefit - and don't cancel each other out. Hubspot are aiming for a dominant strategy; to be a better product offering at a lower price. The only way it can do that is through innovation, driven by consistent strategy to attract the best talent in Sales and Marketing spheres. This talent can then ensure they offer a compelling product that's fit-for-purpose. Everything Hubspot does is consistent with attracting great talent to build innovative products.

Second order fit → activities are reinforcing

Hubspot built add-on products (such as their CRM) that they then offer for free. By doing so, they leverage the value of ecosystems and increase switching costs. By developing something as valuable as a CRM - and offering it for free – it immediately took market share and ownership of customer data. This data could then be used to better understand its prospects and target them more effectively in future; both with products and marketing tactics of their own. Thus, the activity of building a free product, in return for data, helps reinforce future marketing and brand-building activities.

Third order fit → optimisation of effort

Hubspot has invested heavily in content marketing and eLearning. This acts as a differentiating activity, as well as positioning itself as a better product at a lower price. It has created its own industry certifications and offers free courses for marketers. Marketers are drawn to the content because of its inherent value, which develops trust and credibility in the brand. As audiences go through this content, Hubspot have a host of information about how engaged the learner is and where in the buying cycle they are. Hubspot can then better target them with future offers.

This effort is self-optimising because having internet traffic go to Hubspot's website, it increases their search engine optimisation (SEO) and domain authority. This is an activity that is both value-adding to customers, whilst being a marketing strategy in itself. This is a 'two-for-one' that not many industries are leveraging. This coordination of information between activities represents optimisation and something inherently difficult for competitors to clone.

Great, enduring strategies don't rely on just what you do, or how you do it, but the combination and synergies between them.

2.
Culture

Culture vs. Strategy

This section has frameworks and examples influenced by the teachings of [Associate Professor Jen Overbeck]. Follow her on [Twitter] for more on culture, power and influence.

Peter Drucker was famously quoted as saying “culture eats strategy for breakfast”. Why would that be? Technology continues to create new markets, reduce barriers to entry and eliminate manual labour. These technologies will be commoditised and become table stakes, so how will organisations gain a true competitive advantage, if not through technology? The differentiator will be the performance of their people. Culture is central to this.

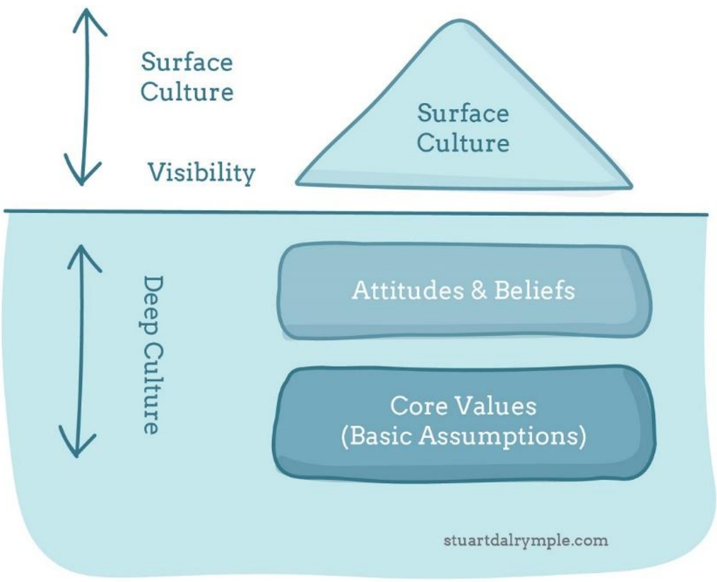
In this section, I cover definitions of culture, offer proof it can affect a company’s performance, discuss the dangers of culture, and finally, how to go about designing and implementing an organisational culture the right way.

Culture *schmulture*. What is it anyway?

Imagine you're holding a piece of rubbish and no one is around. In some cultures, people would be likely to find a bin or put it in their pocket. In others, people would throw it on the ground. These acts are driven by *culture*; a combination of social norms and subconscious motivations.

Culture, therefore, can be a mechanism of control. It is also a powerful intrinsic motivator; an invisible constraint that is experienced as autonomy. It can add a sense of meaning and pride to work. Culture can also facilitate cooperation and streamline decision making, acting as a north star for how to act in ambiguous situations.

To understand how culture manifests itself in an organisation, we can use Hall's iceberg model of culture.



For illustrative purposes, we will refer to the levels as listed below:

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Artifacts (Surface Culture) - these can be seen, felt and heard. They are observable products of the culture: symbols, stories, texts, ceremonies, rituals.

Values (Attitudes & Beliefs) - these are the rules of appropriate behaviour. Norms about what is right and wrong, important and unimportant.

Assumptions (Core Values) - these are deep below the surface of conversation and consciousness. They are fundamental orientations about how we think reality is structured. These underlie organisational culture and are taken for granted. They are shared beliefs, but are hidden and must be inferred.

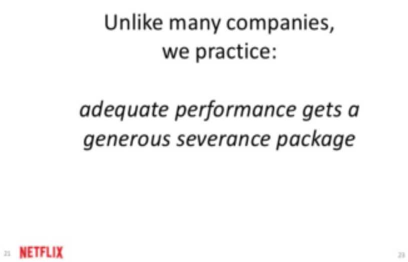
Does culture really impact organisational performance?

I know what you're thinking. As Product Managers, we're trained to balance our gut-feeling with data-driven decision making. Where is the data that *proves* culture is key? Actually, many studies have found consistently for over 20 years that stronger cultures are correlated with a stronger organisational performance. An analysis of 250 organisations showed that companies that invest in employee experience are 4x as profitable (Morgan, J., 2017).

Many successful companies credit their success to a culture by design, not by default. Let's examine three of them - each with very different cultures.

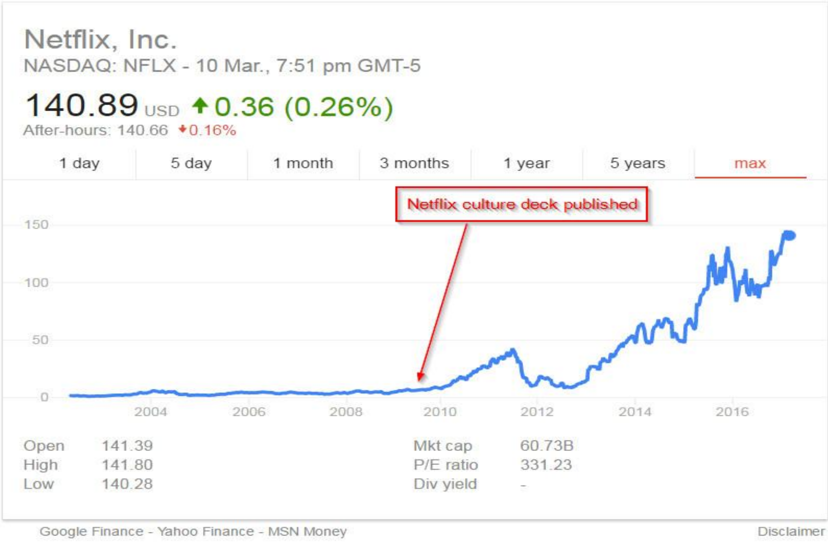
Netflix culture - Freedom & Responsibility

Netflix's performance culture is infamous. They advertise a very high-performance environment, where only people *"that managers would fight to keep"* stay in a job for very long. Why would anyone stay in this cut-throat environment? Their culture dictates they pay the best rates in the market and consistently eliminate rules and policies. There is no vacation policy; take what you want, when you want. They promote *"highly aligned, loosely coupled"* teams. This level of autonomy is a big intrinsic motivator for high performers. The Netflix culture slide-deck is a great example of a self-selective culture; it encourages only those who will fit to apply and stay.



View the full version of this great slide-deck at http://bit.ly/368wf72

The kicker to this story is that the HR manager who helped create the Netflix culture presentation fell victim to it. She was later let go of herself for only 'good' performance (Henn, S, 2017). Netflix have designed a culture that is a driving factor in their financial performance, with a market cap over $60 billion (Stenovec, 2017).



Amazon culture - Customer Obsession & Innovation

Over 20 years ago, a little start-up, called Amazon, set out to sell books on the internet. They are now on the verge of taking over your life, through a powerhouse marketplace, internet hosting and entertainment offerings. Over that time, their CEO, Jeff Bezos, has consistently reinforced their killer culture. The message hasn't changed much from the famous 1997 shareholder letter, through to his latest version.

Most large organizations embrace the idea of invention, but are not willing to suffer the string of failed experiments necessary to get there.

- Jeff Bezos

WIth Amazon’s unwavering focus on customer obsession, innovation, frugality and having employees think like owners (via stock options/commission), it’s seen its revenue multiply by 10 in the past 10 years. Even in the COVID-19 pandemic of 2020, Amazon’s stock price rose by a staggering 63.3% (Klebnikov, 2020). Whilst other businesses were crumbling during this global health and economic crisis, Amazon’s innovation culture helped it to continue to propel forward.

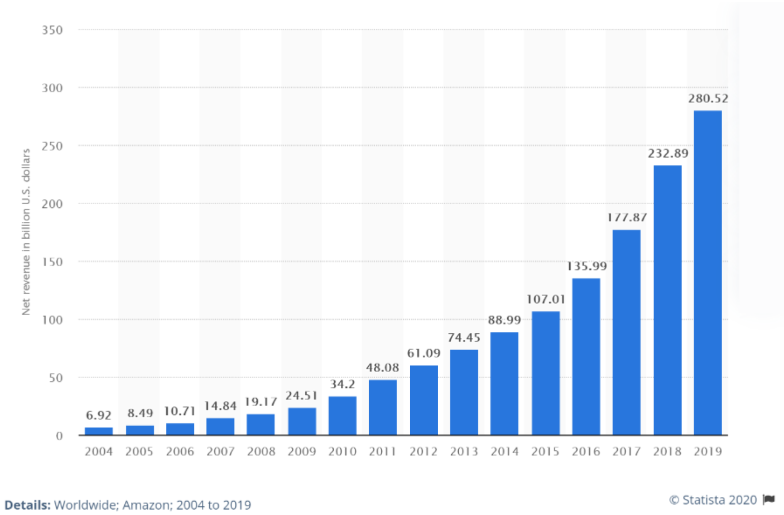


Figure 1 - Amazon annual revenue figures, from Statista

Mary Kay Cosmetics culture - Beauty and Empowerment

You might not have heard of Mary Kay. She may well have been the grandmother of organisational culture.

In the 60's, when the feminist movement was taking off, she built a hugely successful direct-selling cosmetics company (think Avon) to over 50,000 female entrepreneurs.

Don't let the age of this case study fool you; Mary Kay was a natural born leader whose company was truly cult-like.

Everything about Mary Kay was straight out of a psychological textbook; from the visible success badges that ranked people, to the songs and initiation ceremonies, to the pilgrimages made to the annual off-site conferences. Mary Kay was held in-near holy regard. To the cameras, Mary Kay remained humble and focused on her mission to empower and reward her female sales-people. Whether or not this was all part of the act doesn’t really matter. What matters is that Mary Kay herself walked the talk, and always spoke of beauty and empowerment, which were her company’s driving values.

There is a 10-minute segment about Mary Kay on 60 Minutes Rewind, which is a must-watch, if for nothing else but the pink Cadillacs! You can watch the video here: http://bit.ly/2ZwmFZ7

Organisational culture can be positive and negative

All this talk of culture-driving performance is only true when it's done well. Maintaining a great culture is fiendishly difficult. **Everything** about it must be congruent; from hiring and firing, to incentive schemes and structures. Every action of the leadership team counts. If any of these are not in sync with the espoused culture, it can become a limitation at best, and a performance-killer at worst.

Great leaders embody the culture; they live and breathe it. This generates followers. However, when employees detect incongruence at any level of culture, where the talk isn't walked, where there are different sets of rules for managers and workers; then trust is broken. Sarcasm, pessimism and false cultures can take root. This is where the bottom of the iceberg no longer reflects the middle and top.

While most people tell Human Resources they are leaving for more money or a better opportunity, 88% change jobs because of negative factors in their current workplace, ranging from subpar people management to a toxic culture.

- Leigh Branham, *The 7 Hidden Reasons Employees Leave*

Uber paid $26 billion for a toxic culture

When a non-tangible such as 'culture' is allowed to get out of control, it can cost companies a very tangible value. Uber, for example, suffered a series of incidents stemming from its toxic culture. This included IP theft, sexual harassment and misconduct, and a CEO who harassed its own employees on video; this sparked the **#deleteUber** movement that resulted in $26 billion of value being wiped off its share price (Knight, 2017). The brand went from being a disrupting hero to a corporate villain in a matter of weeks.

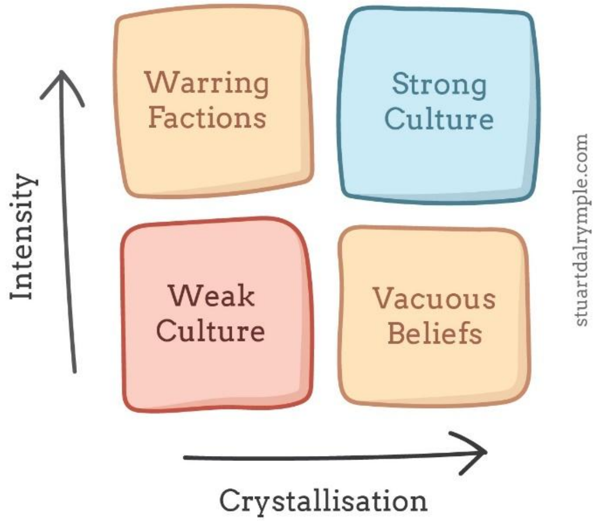
Designing and implementing a strong culture

How do you measure culture?

We have seen examples of organisations with a 'strong culture' and heard about the dangers of weak and toxic cultures. With this in mind, culture strength can be measured on two axes:

Crystallisation of values: Degree to which employees believe the company's values

Intensity of values: Degree to which employees care about the company's values



Source: Overbeck, 2016

Warring factions arise when people have strong values, but those values are different from each other / from the company's.

Vacuous beliefs are when people *understand* the company's values, they just don't care about them or behave true to them.

Weak culture is when nobody feels strongly about values, nor cares about them.

Which one describes your company: Strong Culture, Warring Factions, Vacuous Beliefs, or Weak Culture?

How to design and implement culture the right way

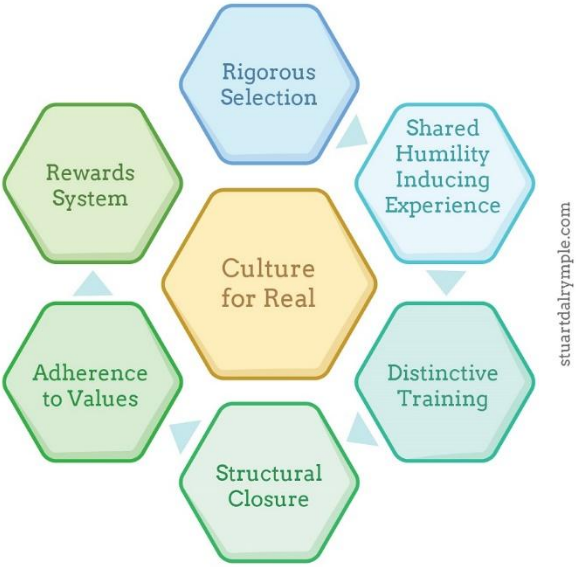
Given that culture can be a competitive advantage, it should be part of your go-to-market strategy. Whilst culture might eat strategy for breakfast, not every culture is going to fit every strategy. Thus, they should be considered together.

Example of a go-to-market framework with culture overlaid. Your values should empower your team to build the right capabilities and management practices to support your strategy.

The discussion and design of these values should involve everyone you want to still be working there after the exercise. I'm not suggesting they should be decided upon through democracy. However, *telling* people what to believe does not equal what they *actually* believe.

Culture design and implementation is far easier done upfront in a start-up or small team. The team agrees on the culture that will build and nurture the practices, processes and capabilities needed to win. From there, appropriate cultural ceremonies, values, norms, artifacts, recruitment, training and rewards can be designed. There is buy-in across the team members and it becomes crystallised (they **believe**) and intensified (they **care**), resulting in a strong culture.

Follow these six steps to ensure culture remains strong across your organisation:



Source: Overbeck, 2016

1. Rigorous Selection

New employees should be strictly vetted against your existing values and their adaptability to them. Look for past behaviours that demonstrate them.

2. Shared Humility-Inducing Experience

There is a reason most cults and sporting teams have initiation ceremonies; it strengthens people's connection to the group. The ceremony needs to be public and of their own free choice to join in. People will later reduce the cognitive dissonance in their own mind (caused by doing something they may have preferred not to) by justifying that joining this group was a good decision.

3. Structural Closure

Being closed off to the outside world promotes cliques and facilitates role taking amongst the group. This is why 'off-site' workshops and team-building activities are so popular (in addition to everyone loving a free trip).

4. Distinctive Training

Having a training programme with company-specific language/jargon, particularly combined with Structural Closure, creates an environment of in-group/out-group mentality. People around you "get it" and outsiders don't. It increases your reliance on them.

5. Adherence to Values

This is walking the talk and actually acting on the values. This should be reinforced with folklore, stories, heroes and champions within the organisation who did things that displayed the values. It proves that acting in-line with the culture is something that people look up to.

6. Rewards System

Rewards must reflect values and reward behaviour that contributes to what the culture is meant to produce. This includes awards, ceremonies and bonuses being tied back to the organisational values. Having rewards that *don't* align with values gives people a mixed message; you're telling them to act in one way, but rewarding them for acting in another. Which do you think they're going to choose?

Changing your corporate culture

Turning around an existing company's culture is about as easy as trying to shift an iceberg. This is due to a number of reasons:

- People are resistant to change.
- Existing employees won't buy in to being assigned new 'values' → it will lead to warring factions or vacuous beliefs.
- Employees have subconscious assumptions at the bottom of the iceberg; changing things at the surface level isn't enough.

Even Tony Hsieh, CEO of Zappos, once famed for their strong culture, hit a major pothole when trying to reinvent their culture in 2015.

"Culture clash" is often cited as the major reason why mergers and acquisitions fail. This is so well understood that in mergers and acquisitions (M&A), a go/no-go decision is often based on the level of culture fit between the two companies. Trying to change the culture of one, to suit the other, is fraught with danger.

That said, there are some strategies to consider when facing a culture overhaul.

1. Remove those who promote a toxic culture

Culture strength varies from employee to employee; there will always be those in the company who belong in the 'Warring Factions' or 'Vacuous Beliefs' camp. Like a virus, these people infect those around them. Removing these people should be the priority of any manager. Doing so generally improves the morale of those around them, as a constant source of negative energy is removed from the workplace.

Beware of the trap of the ‘talented asshole’ here; someone who is a top performer, but does so at the cost to morale of those around them. Keeping these people sends a dangerous message to other staff that the company only cares about results and will hamper any cultural change efforts. The uplift in performance of those who remain after the ‘virus’ is removed may surprise you.

2. Create a new division/team

While there is always an overarching organisational culture, teams have their own sub-cultures. The culture in a sales team, for example, is likely to be very different to an engineering team or IT helpdesk. Creating a new team is an opportunity to design and implement a new sub-culture; just as long as it isn't diametrically opposed to the overarching organisational culture.

3. Use prospect theory to increase appetite for risk/change

People who have *something* (an item, a job, etc), have a tendency to want to protect it. If you've ever seen two toddlers fight over a toy, you'll understand loss aversion; something becomes more valuable when someone else wants it. To this end, people in a gain frame can be said to be risk-averse. Meanwhile, people who have lost something, have a tendency to be risk-seeking (picture a gambler who doubles down to chase a loss). Thus, if people were faced with losing (e.g. the company shutting down), they should be more open to adapting to change.

4. Rebrand/rename the company

This involves a massive organisational, HR and change management effort. Each employee needs to be screened and consulted, to the point where they are given an option to leave if they don't fully commit to the new direction. When Zappos performed a cultural rebrand to “Holacracy”. A new system where all job titles are thrown out (even the CEO”s) and people self-manage. After some initial growing pains, leader Tony Hsieh told everyone if they weren’t on the ‘Holacracy Bus’ to get out; which resulted in 14% of the company voluntarily resigning (Prontefract, 2017). This is a pretty bold move! However a company spokesperson said that was the right number; they only want those who fit to stay. Rather than a weak or vacuous culture, those that remained were ‘all in’ on the new approach.

What would your company look like if 14% of people (that weren’t a cultural fit) were to leave? How much stronger would the remaining people be, all aligned and heading in one direction? Moves like this aren’t guaranteed to work; however changing culture within on organisation can rely on bold moves to get any traction. And fortune favours the bold.

Has anyone changed a culture successfully?

General Motors used a combination of all the above methods. This is the story of the rise of NUMMI, or how one of the worst auto plants in America started producing some of its best cars, thanks to lessons learned from the Toyota production system. Actions taken were:

1. GM shut down the original plant

2. Rebranded it as a Toyota/GM hybrid plant
3. Only re-hired those who would adopt the new culture
4. Flew the team to Japan to observe first-hand a better way (giving them a new mental model & benchmark)

The results were startling. The same results weren't reproducible at other plants that didn't have the same drastic measures. The case is told in a fascinating podcast here: http://bit.ly/350PVbt

If *people* are going to be the winning differentiator for companies, culture is the key to getting the most from them. Championship teams are built around a strong culture that comes from the coach, the captain, and the playmakers alike.

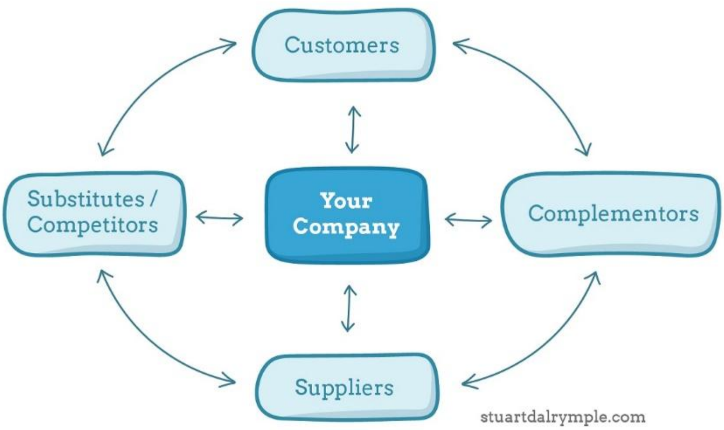
3.
Game Theory

Playing to win

In the game of business, you're competing against a number of players in a number of games. However, it doesn't have to be totally combative. By understanding what game you're playing, and who you're playing it with, you can devise better tactics to get the upper hand.

Allies and opponents

Up until now, we've mainly been considering your strategy and culture versus. your competition. However, the game you play is larger than that. The other key interactions involve customers, complementors and suppliers. These could all be considered other 'players' in the game of business, which form the Value Net *(*Brandenburger and Nalebuff, 1996).



For a given strategic position and approach, you can then map out your value net to better identify opportunities. How do you determine which type of player a given entity is?

A player is your Competitor if customers value your product less when they have the other player's product.

A player is your Complementor if customers value your product more when they have the other player's product.

This may seem obvious, however, a mapping exercise with these definitions can reveal some surprising insights.

Identifying the players

Let us map out the value net for Dropbox, as an example:

Competitors

- When customers have **iCloud**, they value Dropbox less.
- When customers have **Google Drive**, they value Dropbox less.
- When customers have **polaroid cameras**, they value Dropbox less.

Thus, the products in bold are competitors to Dropbox.

Complementors

- When customers have **remote offices**, they value Dropbox more.
- When customers have **digital cameras**, they value Dropbox more.
- When customers have a **fast internet speed**, they value Dropbox more.

Thus, the products in bold are complementors to Dropbox.

By extending this exercise, you can see how Dropbox could make strategic and product-related decisions to utilise their network of complementors. This could include strategic partnerships, integrations, combined marketing campaigns, and more.

Dropbox did go onto do this with their ‘Dropbox Business’ suite, aimed at providing better collaboration tools for remote teams and offices. Perhaps they could have gone further, such as ‘Dropbox Family’ – as an alternative photo-sharing offering for remote relatives.

There’s another source of potential complementors; when multiple players make it more attractive for a supplier to create products. Companies like Dropbox most likely don’t have their own storage infrastructure; they would buy it from a supplier such as Amazon Web Services (AWS). Now, let’s assume that the only customer buying large amounts of storage was Dropbox, this wouldn’t be very good for AWS. They might have to raise their prices or go out of business. However, Dropbox’s traditional competitors – like iCloud and Google Drive – are also customers for AWS, which can lower costs and make it more attractive for supplier competition to creep in. As Dropbox shares suppliers with its traditional competitors, they are also complementors.

This example is more keenly felt in manufacturing with high barriers to entry. Intel sells chips to Dell, HP and Lenovo – and is able to spread its fixed costs across the three. If the latter brands were to disappear, it might become unviable for Intel to provide chips to Dell alone.

There is a duality between competitors; they are complementors in ***making*** the market, and competitors in ***dividing*** it up.

The goal of business is not to win at all costs. The goal is to maximise our shareholder value. To that end, it may be optimal for you to ***not*** totally kill your competitors after all.

Customers

Customers are people who buy your product. However, when your customer is a company, you need to understand the people within that company. For Dropbox, there are the economic buyers; those who sign off on the software license. Then there are the users; those actually touching and interacting with the software.

Dropbox might need to provide a business case and enterprise pricing to satisfy the Chief Financial Officer (CFO) of one of its corporate customers, for example. However, Dropbox must also focus on the actual people in the organisation and their needs.

Then there are the customer's customers to think about. Perhaps a local City Council is considering Dropbox for their Public Library. A potential deal could be arranged such that an Enterprise discount is given to the Library for placing Dropbox promotional material inside, offering library borrowers a special deal. This simple example shows you the *kind* of out-of-the-box thinking that surfing the value net can bring, by aligning yourself with other players to create win-win situations.

Suppliers

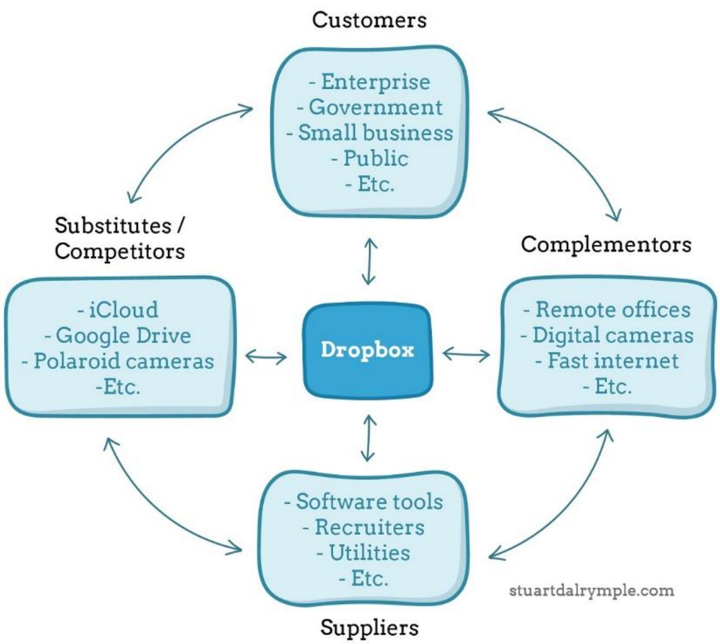
Who are Dropbox's suppliers? They would pay for software tools, in word processing, software code repositories, computer hardware and recruitment agencies.

In the game of business, we often think of this relationship as zero-sum. Either they take more of our money, or we get to save it instead. This leads to buyers constantly asking for discounts from suppliers, which can hurt the viability and service, and said supplier.

Many companies say their staff are their number one asset, and treat them as such. However, aren't staff ultimately suppliers of labour and skills? Yet we don't seek to drive them out of business by short-changing them. So, what would happen if we started treating suppliers like our staff, too? We might work together on how we can both save costs. We could align objectives and KPIs, and new initiatives, such that when our business grows, we need to consume more of their product.

Map out the players and find symbiotic relationships

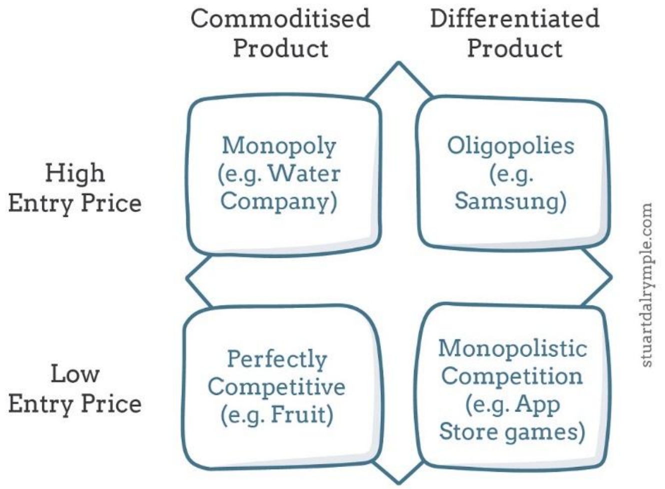
After identifying the players, map them onto a value net and make it available for your team to review. Below is a sample for Dropbox:



Value nets can help you better understand your competitive ecosystem and identify potential new initiatives and product features. All of these need to be evaluated against your strategy to ensure they are strengthening your position, without compromising on any trade-offs.

Go-to-market… but which market?

Business is a game with many opponents and possible moves. When you can anticipate your opponent's move in any game, you can gain an advantage. This is the heart of game theory. Markets are a factor to understand what game you're playing, and how your opponent might move. Let’s first explore the kinds of markets there are, and how they impact strategic product management decisions.



Perfectly Competitive

Commodities - such as rice, sugar, and other raw materials - often operate in this type of market. The goods themselves (at least in bulk) have zero differentiation and buyers primarily rely on price, supply and service, to select them. In contrast, very few software segments would exist in this category.

Monopoly

A monopoly is defined as a market for which you have no other choice in providers. This is often related to areas with extremely high entry costs, such as utilities (electricity and water). Many true monopolies are owned by governments, or privatised in such a way that you have little choice in who you buy from. This is to protect their profits and thus repay the large entry barrier, as well as guarantee ongoing service. Again, few software categories could be considered true monopolies.

Apple could be said to have a monopoly over their own App Store, however, consumers are not limited to only using Apple products. Similarly, Windows has a near monopoly over PC, but there are other operating systems (iOS, Linux, Android, etc).

Commodities and monopolies are very black and white; software typically lives in the grey space in between.

Caveat to the Value Net diagram: A low barrier to entry is not a requirement to be a perfectly competitive market. However, they would typically have a lower barrier than that of true monopolies. For illustrative purposes, setting up a fruit farm would be cheaper by comparison, than setting up a new public water company.

Monopolistic Competition

This is defined as a market where each product is differentiated. However, entry and exit are relatively cheap.

Task-tracking software could be considered in this group. Creating a 'Trello-clone' – a simple Kanban board with cards - would be fairly cheap as far as software goes.

Many app store games are relatively cheap to produce and somewhat commoditised. You may have preferred utilities, like calculators, notes and bill-splitting apps, but few of these could command a large premium.

However, it would remain 'monopolistic' in the sense that each company owns it's differentiated brand; some consumers may pay more for Trello, just in the way they might pay more for Colgate toothpaste; albeit, not ***too*** much more. This separates it from being neither a total monopoly, nor a perfectly competitive market.

'Free entry' is also an important characteristic of these markets. It effectively caps prices. If any one app was making *too* much money, for example, a high number of competitors will enter, trying to capture some of the market share. These entrants will often undercut incumbents to steal share, and there is only so much premium that someone would pay for a digital Kanban board.

Oligopolies

Oligopolies are similar in the sense that there is an element of monopolistic power through brand and product differentiation (though not too much). The difference is in the entry price. Automobiles are the classic example here. Even if car manufacturers were making modest profits, it is so expensive to bring a new manufacturer to market, that it doesn't happen often.

Certain medical software could be considered in this category. There are multiple regulatory, privacy, compliance and technical overheads involved. The market size is also a niche. This effectively raises the barrier to entry for new entrants.

Here are some other examples:

- TV Streaming - Netflix, Hulu and Stan
- Taxi Apps - Uber, Lyft and Grab
- Phones - Samsung, Google and Apple
- Computer Software - Microsoft and Apple
- E-Commerce - Amazon and AliExpress

What does all this mean to how the firms interact?

In a monopolistic market, firms can rarely cooperate and raise prices, and the importance of differentiation and raising switching costs is critical. Having a defined position that you can increasingly deepen over time is the way to 'change the game' here.

Oligopolies are quite different. A couple of major firms in any oligopoly **could** cooperate and raise prices together (putting aside for a minute that this collusion is typically illegal). With the barrier being effectively too high for new entrants, it would mean higher profits for everyone. If Samsung and Apple both raised their prices by $100, very few would switch to an Oppo phone, and all the shareholders would be happy.

So why doesn't this happen? To understand, we need to go deeper into game theory.

Know the rules so you can break them

Prisoner's Dilemma

The best and most famous introduction to game theory involves the Prisoner's Dilemma problem. The game goes like this:

- Two criminals have been caught, and are being kept in separate interrogation rooms.
- The police are asking them each to confess.
- If neither of them confesses, the case against them will be weak, and they will each get 2 years in prison.
- If one of them confesses and the other doesn't, the confessor will get 1 year in prison, whilst the other will get 10 years.
- If they both confess, they will get 5 years each, because after all - they are guilty!

What would you do in their situation?

We can put this in a matrix to better illustrate the moves and payoffs.

Prisoner's Dilemma		***Prisoner B***	
		Confess	***Don't Confess***
Prisoner A	***Confess***	**5 years, 5 years**	**1 year, 10 years**
	Don't Confess	**10 years, 1 year**	**2 years, 2 years**

As Prisoner A, we can read 'down the column' of Prisoner B's potential moves, to then find the best course of action for themselves.

- If Prisoner B confesses, then Prisoner A is better off confessing (5 years vs 10 years)
- If Prisoner B doesn't confess, then Prisoner A is better off confessing (1 year vs 2 years)

Thus, regardless of what Prisoner B does, Prisoner A gets the best outcome by confessing. This is known as a dominant strategy.

Let's now pretend we have a great relationship with Prisoner B, and we really would like to consider 'not confessing'. If both parties don't confess, we can get away with 2 years each. However, can we trust Prisoner B? Whilst Prisoner A might be considering not confessing, what does this look like from Prisoner B's perspective?

If Prisoner B takes the risk of 'not confessing', whilst Prisoner A actually does confess, they'll be doing 10 years hard time! If Prisoner A doesn't confess, but Prisoner B does, they'll only get the 1 year. After all, they couldn't be sure Prisoner A wouldn't rat them out. Thus, the same dominant strategy exists for Prisoner B. They get a better deal no matter what Prisoner A does by confessing.

This is the heart of the Prisoner's Dilemma; the two parties ***could*** achieve an optimal solution for both (4 years total time), if only they could be trusted. Game theory says that hoping your counterpart will act in good faith is not a strategy. Parties can only be trusted to act in their own self-interest.

The Product Manager's Dilemma

How then does this scenario play out in a software context?

Let us say that instead of Prisoners, we have two Software Companies: A and B. They each offer similar products and together form a duopoly. The products in this case are quite similar, and thus price is a determining factor in a buyer's choice. For simplicity of the example, we will assume that all new customers this year will select **exclusively** on price.

It is the start of a new financial year, and the Companies need to reveal their new pricing. The size of this market is 1,000 users. How would you price the products in this case?

Product Manager's Dilemma #1		Company B	
		$200	$100
Company A	$200	$100K, $100K	$0, $100K
	$100	$100K, $0	$50K, $50K

Scenario 1 - Company A sets pricing @ $200 & Company B sets pricing @ $200

- Each will capture 50% of the market
- Payoff for Company A: 500 customers * $200 = $100,000 MRR
- Payoff for Company B: 500 customers * $200 = $100,000 MRR

Scenario 2 - Company A sets pricing @ $100 & Company B sets pricing @ $200

- Company A will capture **all** of the customers
- Payoff for Company A: 1,000 customers * $100 = $100,000
- Payoff for Company B: 0 customers * $200 = $0

Scenario 3 - Company A sets pricing @ $200 & Company B sets pricing @ $100

- Company B will capture **all** of the customers
- Payoff for Company A: 0 customers * $200 = $0
- Payoff for Company B: 1,000 customers * $100 = $100,000

Scenario 4 - Company A sets pricing @ $100 & Company B sets pricing @ $100

- Each will capture 50% of the market
- Payoff for Company A: 500 customers * $100 = $50,000 MRR
- Payoff for Company B: 500 customers * $100 = $50,000 MRR

You can see again we have a Prisoner's Dilemma. Both companies could make double the revenue if they both kept their prices high. However, unlike the Prisoners from our story - which may have had a good relationship - the competing Companies certainly want to maximise their own profits. By cutting the price of their competitor, they can capture the lion's share of the market. It is simply ***too rewarding*** to cheat on the higher 'collusion price' (putting aside the fact it is illegal). In fact, price fixing via cartels is often fundamentally fragile for this very reason (Pindyck and Rubinfeld, 2012). The first turncoat will inevitably profit in a large way.

We can assume then that both Companies must set their price at $100 this year. How would you price next year?

If one Company were to price at $99 against the other Company's $100, they would capture the entire market. Despite the lower price, this would be better than sharing the volume 50/50. However, if it makes sense for Company A to price at $99 to steal market share, then it makes sense for Company B to price at $98 to steal it back again.

And so on.

Game theory shows us how price wars start. The question is, when will it end?

According to economic theory, prices in a price war could go down to their 'marginal cost'. Marginal cost is effectively the cost to produce one additional unit. If you didn’t go down that low, you’d be losing money to your competitor, so you have little choice. You stop at that point because you'd lose money on each sale if you sold below the marginal cost.

For this scenario, we'll assume both companies had a marginal cost of $30 per user, per month, to cover maintenance and hosting. Each Company therefore priced as such, gained 50% market share, and made 500 * $30 = $15,000 MRR. This is a far cry from the potential $100K 'price collusion' number! However, with buyers ***only*** selecting on price, this is where prices will end up.

Now let us set up another scenario: **Product Manager’s Dilemma #2**.

In this game, two new Product Managers have been hired at each company. They are given the historical pricing information as follows:

- Company A's price was $80 per user, per month
- Company B's price was $80 per user, per month

At 50/50 market share, each company is making 500 customers * $80 = $40,000 MRR.

However, in this case, their products are not identical. The following facts also need to be considered:

- 50% of the market would pay $40 more for Company A's product.

- 50% of the market would pay $40 more for Company B's product.

This could be explained by feature differences, switching costs, brand loyalty, service options and other differentiators. Given this, how would you price your product as either Product Manager?

Let's evaluate Company A's options by first evaluating Company B's possible moves. Their moves sit on a price continuum; they could price at any amount they wanted to. We can, however, rule out some moves with logic.

Pricing anything between $79 and $40 will not work. Company B’s customers would still prefer to pay the higher price for the competing system, and Company A would be bringing in less revenue from its existing customers. So, we can rule these moves out.

Company A could raise its prices, but that is potentially dangerous as it shrinks the amount that Company B would have to discount to achieve the $40. For this scenario, we’ll rule that out too.

The remaining moves we’ll evaluate are:

- Keeping the price at $80, or
- Bringing it down to $39 (to grab market share from their competitor)

Product Manager's Dilemma #2		Company B	
		$80	$39
Company A	$80	$40K, $40K	$0, $39K
	$39	$39K, $0	$39K, $39K

As you can see from the table above, the best move for both companies is to keep the price where it is. It doesn't make sense for either player to move from this initial position. This is known as the "Nash Equilibrium". We can now ***trust*** that neither player will move on price because it's not in their interest to do so.

Compare Product Manager's Dilemma #2 to Dilemma #1. In the second scenario, the price has been locked in at the higher value of $80 per user, per month. In scenario #1 - the perfectly competitive market - a price war lowered it to $30 per user, per month.

In scenario #2, what prevented the price war and held prices high?

Willingness to pay through differentiation.

We see many examples of this in the marketplace. In the airline market, willingness to pay (and therefore prices) are held high due to frequent flyer points and loyalty programmes. For any given airline to steal market share from the other airlines, they need to drastically cut prices to compensate for the lack of transferable points. However, this cost-cutting exercise means they get less income from their original customers too!

It also explains why Apple and Samsung have been able to keep the prices on their phones high. Through ecosystems, including apps and media, consumers have an in-built switching cost. Some Apple customers might pay $100, $200 or even $300 more to 'stay Apple', rather than losing access to their apps, media and photos. The same can be said for Android customers. Thus, neither company has great incentive to cut prices. They are in a Nash Equilibrium.

By understanding willingness to pay of your customers (and your competitor’s customers), Product Managers can better use game theory to maximise revenue. It also shows the power of differentiated products in avoiding price wars.

Price war vs features war

Pricing aside, features can affect purchasing intent. You can replace the above pricing decisions with one about building a given feature; let's say 'PDF Export' for a Customer Relationship Management (CRM) product.

If none of the major products built a 'PDF Export' feature, they would save resources, and the customers would still buy their software. However, if just one of the major players does in fact build this feature, they may take the lion's share of the market (assuming it became a driver of purchase decisions). Thus, companies may feel compelled into a 'feature arms race'; a bizarre ‘product version’ of a price war - each bloating their products with features that other companies have, just to keep up.

This presents something of a paradox. To prevent price wars, you need to build differentiation. However, you may lose out to richer feature sets if you don't engage in the feature war that your competitors do. How then to proceed?

There are two keys to making smart product investment decisions:

- Know both know where you suck and where it matters
- Build non-functional differentiation.

These are topics we'll explore further throughout the book.

Make better decisions using a game tree

In 2018, a news story came out that Apple was going to invest US$319 million in a partnership with an augmented reality hardware supplier (Collins, 2019).

If you were Apple, how would you decide this idea was a good one? How much would you be willing to spend? How would you respond if you were Samsung?

We can analyse answers to these questions using game trees (a branch of game theory, pardon the pun).

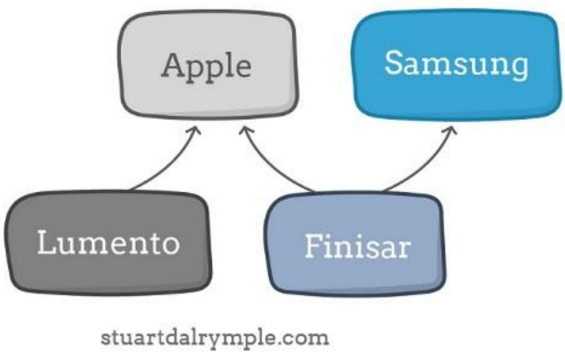
These flexible tools can be used for any decisions that involve other parties and probabilistic scenarios; something that Product Managers deal with all the time.

Caveat for this section: Assumptions have been made on some of the numbers involved. When you apply this methodology for real, you should invest time in getting the correct numbers if you can. Even if you can't get all the numbers, this framework is still valuable. It can highlight the breakeven point on a given number or the value of getting that information.

Apple's situation

Back in 2018, augmented reality technology was a trending technology that Apple was looking to invest in. To support this in their next generation of phones, Apple required a complicated laser component called a VC cell. This is used for face mapping and other augmented reality applications. At the time, VC cells were manufactured by two parties:

- Lument0 - an *existing Apple supplier*
- Finisar - an *existing supplier to both Apple and Samsung*



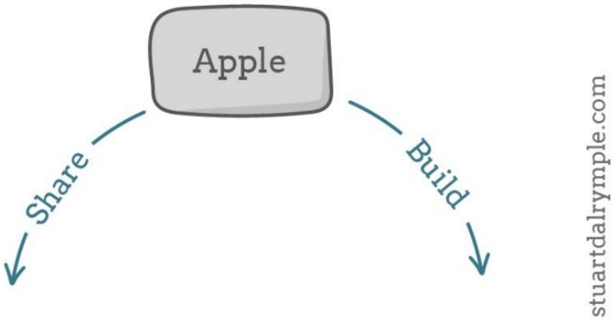
Demand was outstripping supply by quite a margin, meaning Apple couldn't get as many of these parts as they wanted - despite having access to two suppliers!

Now that we understand the situation, we can follow the steps to create a game tree.

Step 1 - Map out the initial moves

Apple had two choices here. It could either:

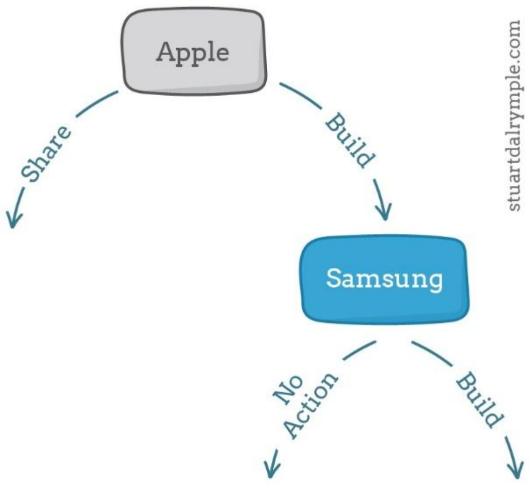
- Share current VC cell supply with Samsung (aka *"do nothing"*), OR
- Build or invest in additional production capacity of VC cells.



Step 2 - List all the possible counter-moves at each branch

If Apple chose to build, Samsung could respond as such:

- Share supply with Apple (aka *"do nothing and follow status quo"*), OR
- Invest in their own additional capacity of VC cells.



For this analysis, we will assume Samsung will not build capacity, unless Apple does.

Step 3 - List the possible scenarios at each branch

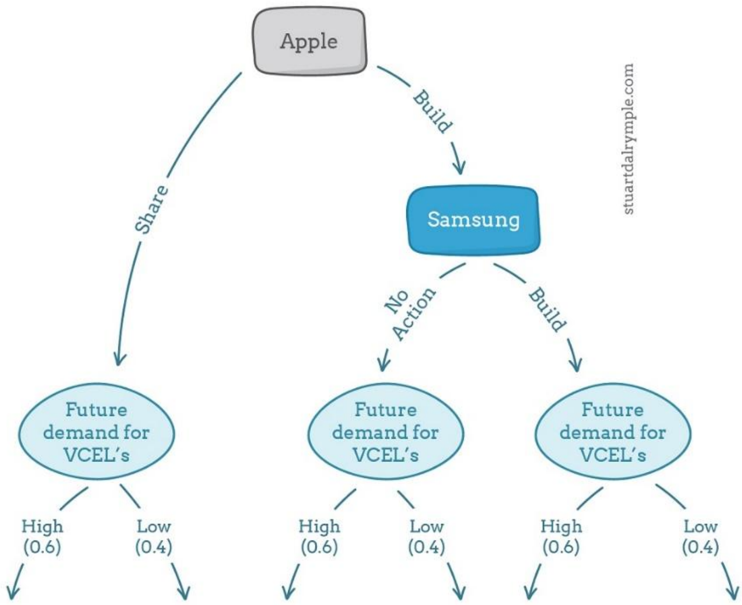
Decisions in the present are often made with uncertain futures. Game trees can cater for this by listing possible scenarios and assigning probabilities. These act as weightings to the outcomes, as we will see.

Regardless of the moves and countermoves Apple and Samsung make, there are two possible future scenarios:

- Future demand for augmented reality phones (and thus for this part) ***goes up***, OR
- That future demand for these parts ***goes down.***

For this example, we will assign the following probabilities to the scenarios:

- Probability of 60% for high demand scenario
- Probability of 40% for low demand scenario



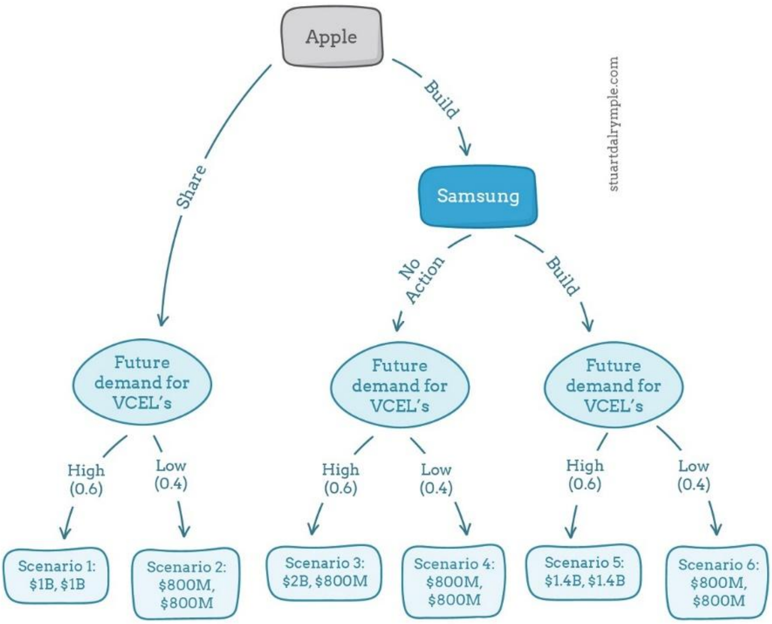
Step 4 - Assign the payoff values of each termination node

Work through the termination nodes and assign a value to each player. What would their gains be, assuming the game played out this way?

For this game, the payoff rules are as follows:

1. Apple share capacity + high demand = make equal revenue
2. Apple share capacity + low demand = make equal revenue, but less than in #1

3. Apple build capacity + Samsung does nothing + high demand = Apple makes most revenue
4. Apple build capacity + Samsung does nothing + low demand = make equal revenue, same as #2
5. Apple build capacity + Samsung builds capacity + high demand = both make high revenue
6. Apple build capacity + Samsung builds capacity + low demand = make less revenue, same as #2



Did you spot anything wrong in the above?

In node #4, where you have more capacity than your rival, but the demand is low (so you can't utilise it), I've said Apple would make the same money as Samsung would. Some might say that Apple would make less, given they've effectively wasted investment in something that has low demand. However, in micro-economics, this is considered a sunk cost and not factored into the payoff value for this decision. That extra capacity may have cost you $1m, it may have cost $100 or it may have cost $1. It doesn't matter; at any given decision node, you only make the decision based on what you get down each branch; not what you paid to get there.

The investment to build capacity ***will be factored into our decision*** - it's just not represented at the payoff node.

Step 5 - Use backwards induction to predict the moves each party will make

Now that we have the payoffs for each party at each termination node, we can calculate the weighted payoffs, and then determine which decision each party would make, should they find themselves there.

Again, the key is to select the best option open to you, regardless of other potential branches or costs to get there.

To calculate the payoff of a given branch, where multiple probabilistic events occur, apply the following formula:

> [(Probability A * Payoff A) + (Probability B * Payoff B) + etc. + etc.]

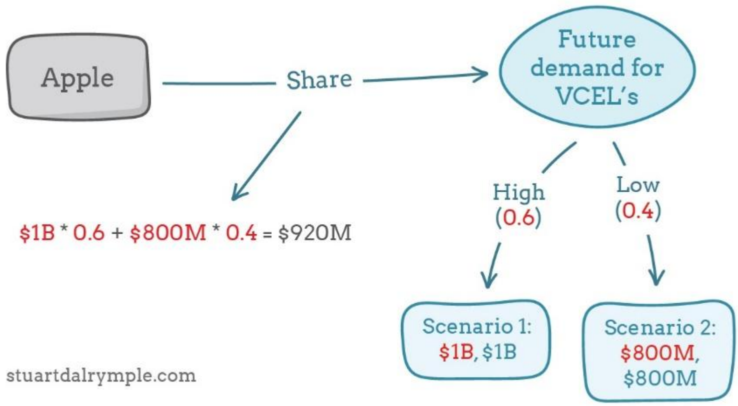
Backwards induction means you start at the termination node and work backwards. For each decision, work out the payoffs for that player against each branch. They would then select the optimum branch at that point.

Evaluating the 'Share' branch

Working backwards from scenario 1 and 2, the first decision we come to is Apple's original choice to 'share or build'. Below we evaluate the value of 'sharing':

- Scenario 1 ($1bn) * .6 + Scenario 2 ($800m) * .4 = $920m

Thus, the weighted average payoff for sharing capacity for both parties is $920m.



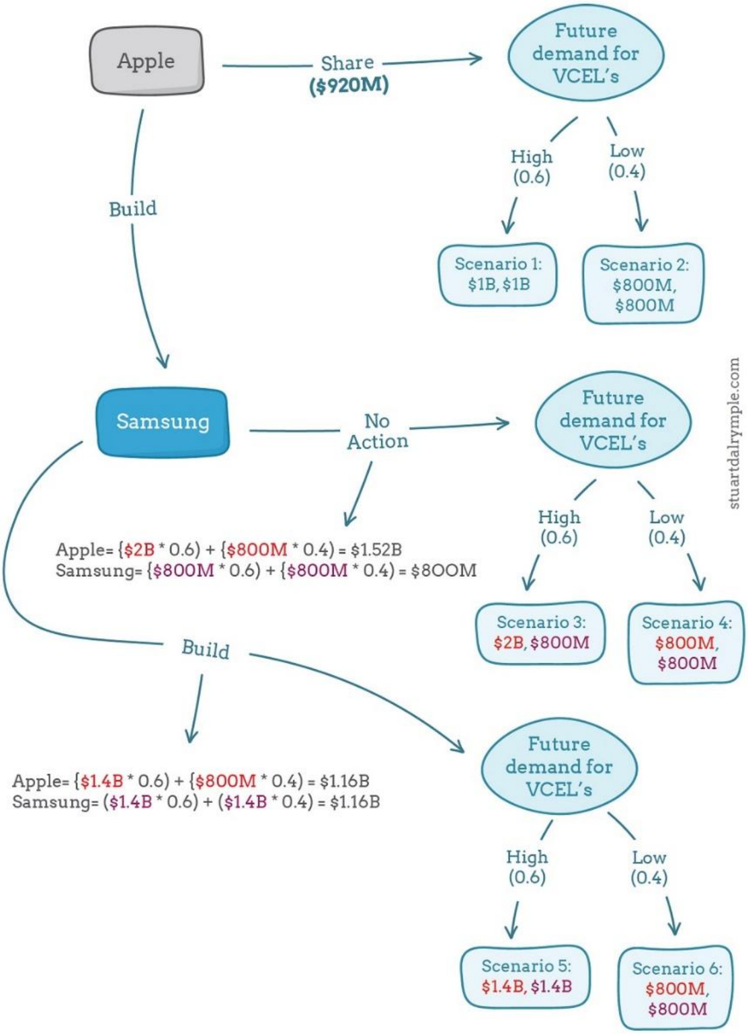
Evaluating the 'Build' branch

Starting at scenario 3 and 4 and working backwards, we can calculate the weighted payoff to be:

- Apple: $2bn * .6 + $800m * .2 = $2.56bn
- Samsung: $800m

Thus, Samsung's payoff to take no action, given they are at this point in the game, is $800m.

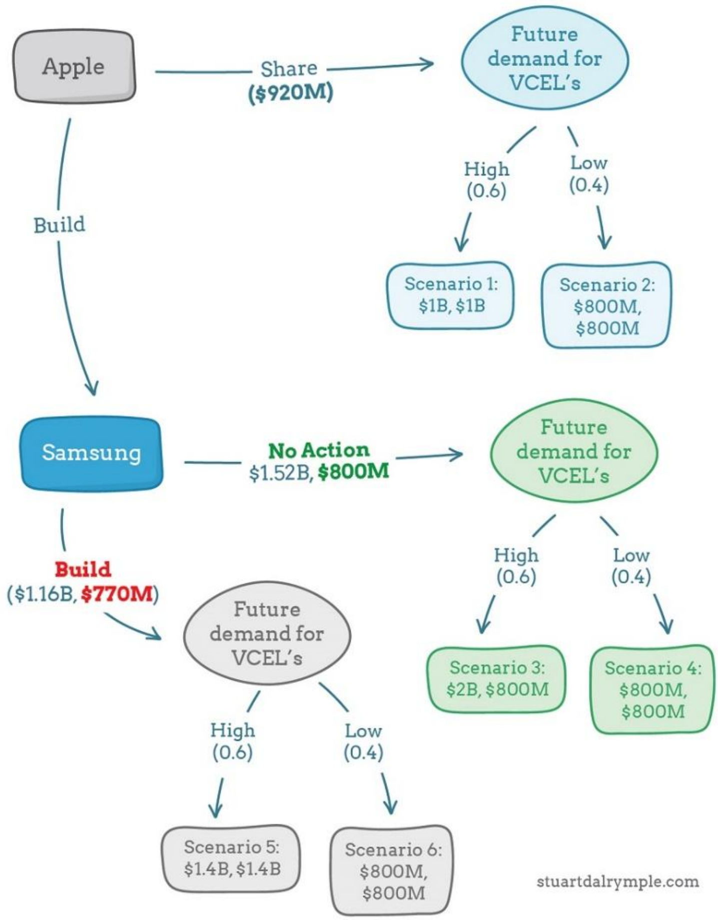
Note: as Party B, you do not take into account what Party A will get for a given move. Your sole focus is maximising your return, not minimising theirs.



If Samsung were facing this choice, they would rather take the $1.16bn payoff - *if it were free*. However, building capacity costs money. This is where the investment amount -

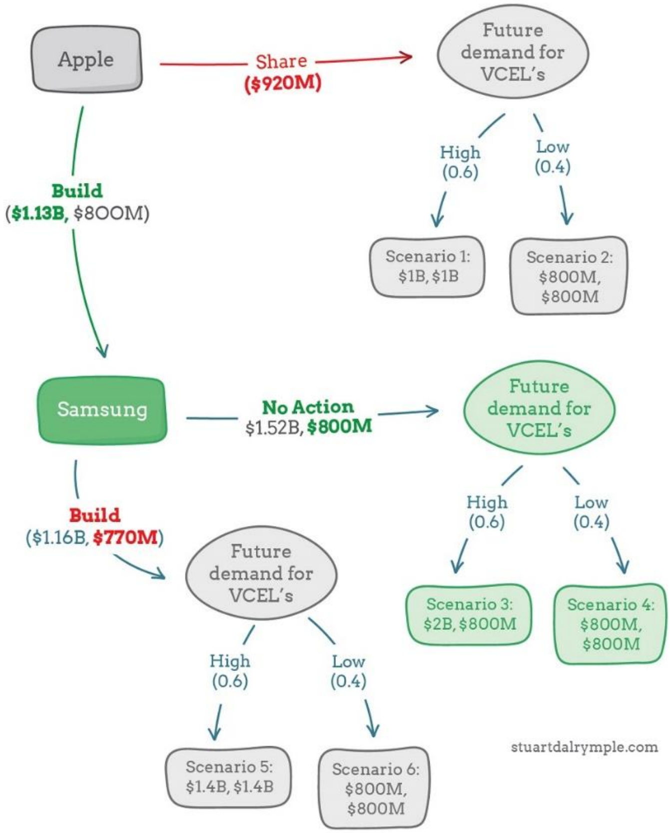
that we previously discarded as a sunk cost - comes into play. So, how much could they afford to invest?

The investment threshold is the difference in payoffs. They could spend up to $360m (*$1.16bn - $800m*). In hindsight, we know that Apple spent $390m. If we take this at face value and assume the cost would be the same for Samsung, building would only return a payoff of $1.16bn - $390m = $770m. They would choose not to build, and we can cross out the other branch as illogical.



Based on the above, we know that Samsung won't build, which gives Apple the potential payoff of $1.52bn versus $920m for sharing.

As a result, they could invest anything up to, or less than, the difference in investment. It turns out they came out well ahead, having spent only $390m. This means that building capacity should give them a net benefit of $210m.



Game trees at work

Game trees can be used to get another lens on complex decision making, with multiple parties and probabilistic outcomes.
stuartdalrymple.com

They can highlight the value of information and identify breakeven numbers and thresholds.

In the example above, Samsung could spend money on market research to check some of the assumptions in the termination nodes. If the probability of this future demand was not certain, or the market value of the high demand was in question, they could use game trees to quantify how much to pay to get better data.

As a Product Manager, it's unlikely you'll be making decisions on this level, involving billion-dollar investments in hardware factories. You could, however, apply the same decision-making model to competitive features, getting a feel for how much to invest, how your competition might react, and the payoffs for doing so.

4. Feature Prioritisation

A day at the races

Product Managers share much in common with professional gamblers.

Every couple of weeks, the Product Manager has thousands of dollars (in development labour costs). They then need to make strategic decisions in the hope of making profit. The Product Manager can assign probabilities to that happening, but can almost never guarantee it. Like a professional gambler, the goal here then is to make more money (or customer value) than is lost.

The Product Manager’s betting stakes could be calculated as:

Avg daily rate * # of Developers * days for an application feature

*Example: $800 * 5 * 10 = $40,000*

Of course, no one is giving you $40,000 in hard cash at work. Yet let’s pretend for a moment that you’re at a real race track, and someone actually *did* give you $40,000. Your livelihood depended on you making money. How would you place your bets?

What you *wouldn't* do is bet it all based on one person's opinion. You also wouldn’t spend it based on a gut feeling. Nor would you spend it all because you liked the name of the horse or its pretty colours.

You would search for more data. You would want to understand the odds and shop around for the best returns. You might talk to the bookies, research the owners, check the rider's past performances, get a weather report and look for inside information. Essentially, you would do everything to *de-risk* your bets, maximise your return and bet with confidence.

As a Product Manager, you are most likely responsible for “gambling” $40k (or more) every fortnight. You’re betting whether you realise it or not. So, are you taking the time to de-risk your bets enough? Do you know what the odds are if you win? How confident are you with each bet?

It can be easy - *particularly in larger companies* - to fall into the trap of seeing the development pipeline as never-ending. The company has deep pockets, and there'll always be the next sprint if we don't back a winner in this one.

Another common trap is for senior management to want to choose which horses to back, so to speak. They see it as *their* money. They've been coming to the track for years. And purple is their lucky colour. In this scenario, the Product Manager becomes the bookie's assistant.

How well do you think placing those kinds of bets works out in the long term?

The reason start-ups can be so disruptive to larger players is because the smaller players can’t afford to make too many poor bets in a row. Their existence relies on some combination of growth and revenue, so each bet needs to be informed - typically by staying closer to the users.

Reframing features as bets keeps everything real. It forces you to do your research and gather the right data. You should be *that* confident on the return on your bet that you'd place your own money on it succeeding.

Lastly, beware of cognitive biases at play here. At any given time, many Product Managers would be confident their teams are working on valuable tasks. That false bravado might fall away pretty quickly if they were asked to bet their own personal pay check on an upcoming sprint being a winner.

To avoid these pitfalls, keep the following in mind whilst researching your bets. Ask yourself some guiding questions:

- What is the risk of this feature failing?
- What is the return of this feature if it succeeds?
- How confident am I that this is a winner?

As a Product Manager, you have an ace up your sleeve that any punter would envy; the ability to back a horse after it's left the gates. Iterative betting is key to making a good living in software. Before that, you'll need to know how to outline a bet - more on that next.

Better ways to place your bets

We've seen how important taking on the right bets is to long-term success of a product. To properly compare bets against one another, we need an agreed format. The format should have less information than a full-blown business case, and more information than a User Story. We'll refer to it as the Goldilocks template.

Enter the one-pager.

Great things happen on a single page. One-pagers hit the sweet spot on a number of levels. It forces authors to be succinct, with no fluff. They are easier to compare side-by-side. They can be printed out and stuck on the wall. They balance the value of information and the cost of getting it. They exist to communicate the data, insights and hypothesis of a bet.

One-pagers also have a clear and measurable outcome (Cutler, 2018). The outcome may range from a full-blown feature or moving the needle on a problem or metric (with the solution to be determined).

They may also have step-goals. A one-pager may span multiple sprints. These step-goals are not meant as traditional, overbearing stage-gates, but more as a chance to pivot. This is to ensure teams don't go blindly adding “lipstick to the pig”, or move on too quickly when the goal hasn't yet reached its true outcome.

The ***ultimate*** outcome of any one-pager should be behavioural change. In building new software, you want the user to change the way they do something.

- Do something new
- Do something faster
- Do something more accurately
- Stop doing something bad
- No longer do something manually (*due to automation*)

You're changing the user behaviour in some way. If you build a feature that ***doesn't*** end up changing behaviour, then you’ve lost your bet (sorry).

The Goldilocks Feature-On-A-Page Template

You can download your own Google Docs version of the below template and adapt it for your own needs at http://bit.ly/369Im3P

The Mission	*Who + Current Behaviour + Future Behaviour + Benefits to User + Benefits to Business*
Alignment	*How does this align to OKR / BHAGS*
Key data points	**Key insights**
Quantitative data	*Voice of the Customer*
Hypothesis	*By doing Z, we will change behaviour from X to Y*

Pivot and proceed points	*What would you find that would encourage you to keep going? When should we stop investing?*		
Keys to success	*Who or what else is needed for this to change user behaviour?*		
Assumptions to validate			
Impact *(10: high, 1: low)*		**Confidence** *(10.0: high, 0.1: low)*	
Ease of Implementation *(Inverse of estimate, e.g. 1 week → 10,* *10+ weeks → 1)*		**ICE Score** *I x C x E*	

Hints for using the template

You don't have to have all the answers up front. The one-pager should encourage spirited discussion. It might inspire missions to go and find the missing answers.

One-pagers will evolve - with layers of detail being added over time.

Confidence can be measured using the Confidence Model (Gilad, 2019) on page 106 for more information.

Survival of the fittest

One-pagers will also die. Don't be afraid to kill off a one-pager. If you find enough evidence to kill off a one-pager, you should celebrate (perhaps with a ceremonial burning?). Avoiding bad bets saves everyone weeks of heartache and the company a lot of money.

The best way to promote evolution between bets is competition. Make sure you have **at least 3** different one-pagers of comparable detail. Now assess them against these trials-by-combat and see which one is victorious:

Category	**Question to be asked**
Competing Ideas	• Which one-pager would you bet your own pay check on to succeed? Why? What might we learn early on that would encourage you to double-down? Or decrease your bet by half? • Which one-pager has had efforts taken to defeat confirmation bias, the availability heuristic, information bias, the IKEA effect, and other cognitive biases? How might a less-biased person view these bets?

Devil's Advocate	• Have we tried to solve any of these in the past? What happened? • Play your own devil's advocate for a moment. Give me three good reasons why this *isn't* a good idea. Now give me three good reasons why solving another problem *is* a better idea. • What problem might we solve, such that this problem would be a non-issue? Why aren't we trying to solve that problem?
Challenging Scope	• If I asked your team to spend the next week fixing "small things with a big impact" would this top the list? Would it have a greater cumulative value? Say you only had two weeks to solve the problem (or chip away at the problem), what would you try? • Challenge yourself to cut the scope here by 75%. Would that deliver *some* value? Should we pursue that first, even if it expands the overall scope a bit? • Can you commit to a "pivot/proceed" decision point? When will we stop iterating on this? Please draw a line in the sand.

Outcome-focus	• What is the status quo we are hoping to disrupt, and which is more likely to succeed? • Describe the "good news" you hope to elicit as a result of this effort. How might you describe it in a company-wide presentation in a non-success-theatre, non-fluffy way? Write the dream customer feedback tweet. How might the good news change in the short, mid, and long-term as we realise the benefits? • What early indicators might indicate that we've placed a good bet? What would signal that it is safe to move on to other things? • In the spirit of challenging the sunk-cost fallacy, what might happen part-way through this effort that would persuade you to stop work? • Who will this impact? Say I wanted to identify the customers/users this will impact, what query would I run? How might I quantify the impact over time? • What is the behaviour you hope to change? What will customers/users do more of, less of, start doing, and stop

	doing, as a result of this work? How will that behaviour change benefit the customer/user and the company? ● How will you instrument your solution to measure outcomes and learn? ● How will we measure the impact and success of this effort in the short, mid, and long-term?
Alignment	● Explain how this connects to the broader company strategy. Why is this a critical part/piece of the puzzle? Together with other initiatives, are we telling a cohesive story? ● Why now? Why is this the most important problem to solve *right now*? How might the financial outcome be different if we did this in six months, one year, or never? Explain how it "beats" a handful of other things you are considering. ● Let's say we *don't* do this. What will actually happen to the business in the short, mid, and long-term? To our customers/users/partners/team?

Inspiration	• You're about to occupy some % of the careers of a couple fellow human beings. Why should they come along for this adventure?
Feasibility	• Does this effort rely on other efforts to be successful? Describe how the efforts are related. If they are truly dependent, can/should we pursue them concurrently, or combine them somehow? • Do you have a plan for regular usability testing? How often? How early? Have you set aside time to act on what you learn during these tests? • Describe the various forces and shifts that must come together to make this successful? What do we control? What don't we control? What can we influence? • Who do we need involved to make this a success? Any special skills? Any special insights?
Viability	• How much money are we losing each week (new opportunities or cost savings) by not solving this

	problem? How does that compare to the money we are losing each week by not solving other problems? ● It is six months from now and this effort has failed. Describe three plausible reasons why it failed. Tell a good story.
Risk assessment	● Can we design some safe-to-fail experiments to help us solve this problem? Overall, how can we expand our "portfolio" of bets here, and get faster feedback? ● What are the known unknowns here? ● Where are you making leaps of faith in terms of user behaviour? What is your plan to close the learning gap? When will you get this into the hands of real humans, with real data, trying to do their real job? ● What information would make solving this problem easier? Are we missing insights that might improve our "batting average" here? How might we obtain that information? ● What is your plan to regularly reduce "benefits risk" (the risk this effort will not achieve the

	desired benefits) as the effort progresses? ● How might you describe the various other risks in this effort? How will you incrementally reduce those risk levels? ● What is the leap of faith here? What must I believe without supporting data? ● What assumptions must hold true for this initiative to remain the most important thing we can work on?

Back the winning horse

Prioritisation of features is a key pillar in Product Management. It's part art, part science. On one hand, it's being out there in the field, gathering data, metrics and insights. On the other, it’s having a feel for where the market is moving and staying true to your vision. Picture yourself here as some kind of dual-wielding product superhero.

Picture yourself on Day 1 as a Product Manager for a new Customer Relationship Management (CRM) product company. You are handed three feature proposals, which all sound quite good:

- Addition of a new revenue dashboard, which the marketing team are very excited about.
- Two-factor authentication (TFA) for administrators, which a customer just signed a conditional contract on.
- Ability for CRM to send customised SMS to customers, which is a top feature request amongst users.

Which feature would you build first?

Thankfully, there are many tools out there which will give you a framework to find out.

Weighted Shortest Job First (WSJF) & Cost of Delay (CoD)

WSJF takes an economics view to produce the maximum economic benefit. It does this by calculating the CoD and dividing by job size.

The theory borrows from operations and the changing view of how software is delivered. In a continuous flow system, job sequencing produces the best result over theoretical return on individual jobs.

If you only quantify one thing, quantify the Cost of Delay.

- Don Reinersten
(Scaledagileframework.com, 2019)

WSJF allows you to continuously update backlog priorities based on user and business value, time factors, risk, opportunity enablement and effort. It also ignores sunk costs.

The elements of CoD

First, start by calculating the Cost of Delay by determining three variables:

- **User-business value**: What is the impact on users and/or our business?
- **Time criticality**: How urgent is this? Are there regulatory or contractual reasons to do this now?
- **Risk-reduction/opportunity enablement**: Does this reduce the risk the business is exposed to? Does it open up future business?

To complete our calculations, we need a small segue on relative estimation.

Relative Estimation

Relative estimation is the technique of comparing items either to each other, or to past known efforts, and applying a value.

Imagine you were evaluating the effort of preparing different fruit to eat. You had some experience chopping fruit already:

- Cutting an apple took 2 minutes (includes removing the core)
- Cutting strawberries took 1 minute
- Cutting a mango took 5 minutes

Now you have to evaluate more work; a cucumber, an orange, and a pineapple.

Despite not having timed yourself cutting a cucumber before, you know that there is little preparation involved. You could approximate it to slicing the heads off strawberries, and estimate 1 minute.

Cutting an orange and removing skin might be more work than cutting an apple, but less than a mango. So, you estimate that at 3 minutes.

Finally, cutting a pineapple is quite complex, given the spiky exterior and effort involved, yet less work than cutting two mangoes; so, you estimate 8 minutes.

The cool thing about relative estimation is that the metric itself is not important; only in how it relates to other values.

These values could have been 10 (cucumber), 30 (orange), and 80 (pineapple), with no 'concept' of the actual minutes or seconds involved. It is enough to say that cutting the orange is 3x as much work as cutting a cucumber.

Some common approaches in applying these relative values include using number systems such as:

- Numbers 1 through 10
- Order of magnitude (1, 3, 9)
- Fibonacci sequence (1,2,3,5,8,13, etc)

Let's apply relative estimation to our proposed features:

- Addition of a new revenue dashboard
- Two-factor authentication (TFA) for administrators
- Ability for CRM to send customised SMS to customers

Now we need to rate the items against each other on each of the CoD dimensions.

User-Business Value

In terms of user-business value, the revenue dashboard would help a subset of users (Managers). We'll give it a rating of 3.

TFA is associated with increased security. However, it doesn't add a lot of value to an individual user or the business, so we'll rate this a 1.

Recall that this '3' and '1' do not stand for or convert to anything else; it simply signals that the dashboard would provide a higher value to users.

The ability to send customised SMS is something that every customer could potentially use. As the vendor, it's also worth more to us, since we charge for SMS. With both user and business value, it then scores an 8, relative to the dashboard and TFA features.

Feature	**User-Business Value Score**
Addition of new revenue dashboard	3
Two-factor authentication (TFA)	1
Ability for CRM to send customised SMS to customers	8

However, we're not done yet.

Time Criticality

The new revenue dashboard has been proposed by a senior manager and the marketing group. Nevertheless, there is no contractual obligation, and there exists a work around (as the same data can be extracted from reports). We'll give it a value of 3.

Speaking to the sales team, they actually sold a contract to a corporate customer that specified TFA as a requirement. We therefore rate that as an 8 on time criticality.

The sending of customised SMS is a common request, so that also gets a 3.

Feature	User-Business Value Score	Time Criticality
Addition of new revenue dashboard	3	3
Two-factor authentication (TFA)	1	8
Ability for CRM to send customised SMS to customers	8	3

Risk Reduction / Opportunity Enablement

Marketing believe that the new revenue dashboard could be a big differentiator against competing CRM's, and want to plan a campaign around it. Thus, the opportunity enablement is a 5.

A larger rollout of licenses from our corporate customer is hinging on TFA being delivered. TFA also reduces the risk of hackers into the system. With less risk and increased opportunity, we'll rate this higher at an 8.

Customised SMS is a nice-to-have feature, but it wouldn't necessarily reduce risk or enable opportunity. We rate that a 1.

Feature	User-Business Value Score	Time Criticality	Risk-reduction / Opportunity Enablement
Addition of new revenue dashboard	3	3	5
Two-factor authentication (TFA)	1	8	8
Ability for CRM to send customised SMS to customers	8	3	1

Now we can calculate our Cost of Delay:

Feature	User-Business Value Score	Time Criticality	Risk reduction / Opportunity Enablement	Cost of Delay
Addition of new revenue dashboard	3	3	5	45
Two-factor authentication (TFA)	1	8	8	64

Ability for CRM to send customised SMS to customers	8	3	1	24

We now have our Cost of Delay calculated. You can see that everything else being equal, we should work on the highest CoD item first, and so on.

To calculate WSJF, we need to add a relative estimation of work effort from the Development team, and divide it by the CoD.

Feature	**User - Business Value Score**	**Time Criticality**	**Risk reduction / Opportunity Enablement**	**Cost of Delay**	**Dev Effort**	**WSJF (COD / Effort)**
Addition of new revenue dashboard	3	3	5	45	13	3.46
Two-factor authentication (TFA)	1	8	8	64	8	8
Ability for CRM to	8	3	1	24	2	12

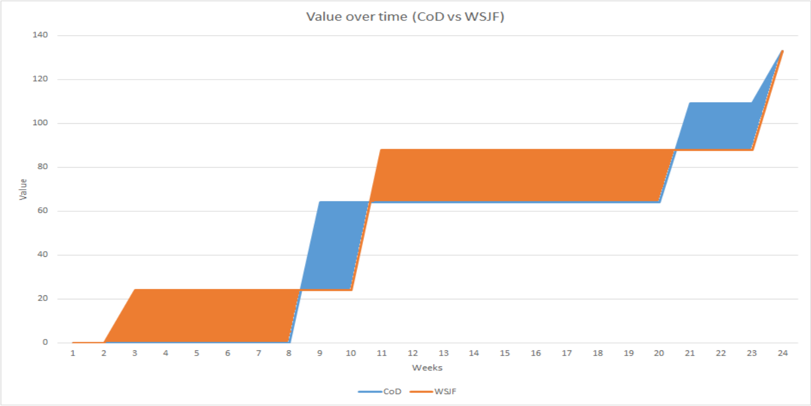
send customised SMS to customers						

Did you spot what changed? Whilst based on CoD alone, we would have worked on the two-factor authentication. Look how WSJF has changed things. Based on development estimates, the customised SMS has moved from 3rd place into 1st place. With a high value/effort ratio, some call this a 'quick win'. We should then follow with TFA, with the new dashboards taking a backseat.

It's worth seeing visually how the sequencing of items affects the **value delivered over time**.

Imagine we follow CoD's recommended approach and spend the first 8 weeks delivering TFA, followed by the new dashboards and then finally SMS. This is represented below (*in blue*), with each milestone representing the value delivered.

We then compare that to using the order prescribed by WSJF. You can see the relative value delivered over time below (*in orange*):



They both end up in the same place, as we eventually delivered the same features in both scenarios.

However, if you measure the area of orange versus the blue, you can see that WSJF has delivered 20% more value over time than CoD alone.

Can we do even better?

WSJF is great at providing clarity and insights in terms of prioritisation. It does have one Achilles heel though; it is predicated on your relative estimations being accurate.

If we refer back to our 'features as bets' analogy, then WSJF provides more detail on how much we stand to win. The ***chance*** of winning becomes key in determining where to bet.

This is where the ICE model comes in.

The ICE Model

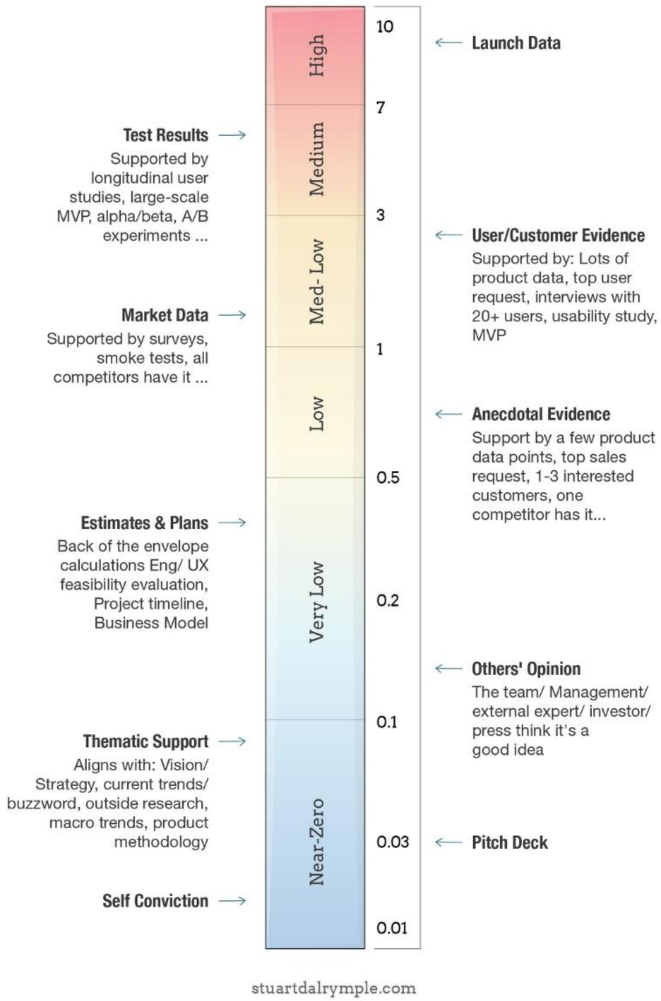
ICE stands for Impact * Ease of Implementation * Confidence. These are all rated on a 1-10 scale. With some simple maths, we can convert our previous WSJF scores into ICE terms:

- Set the feature with the highest CoD @ 10, adjust other scores in relation:
  - TFA (64) becomes 10
  - Dashboard (45) becomes 45 / 64 * 10 = 7.03
  - Custom SMS (24) becomes 24 / 64 * 10 = 3.75
- Set the feature with the lowest Development Effort at 10, adjust other scores in relation:
  - Custom SMS (2) becomes 10
  - Dashboard (13) becomes 2/13 * 10 = 1.54
  - TFA (8) becomes 2/8 * 10 = 2.5

Feature	**Impact (I)**	**Ease of Implementation (E)**	**I * E**
Addition of new revenue dashboard	7.03	1.54	10.83
Two-factor authentication	10	2.5	25
Ability for CRM to send customised SMS	3.75	10	37.5

You can see Impact * Ease of Implementation gives us the same priority of features as WSJF did; which we would expect, since we simply transposed those values. However, now let's add a confidence variable. How do we become confident in any one bet delivering on the promised value?

The Confidence Model



Source: Gilad, 2019

As it turns out, gut-feel, pitch decks, fun with spreadsheets and buzzwords rank at near-zero on this model. Even business models, timelines and senior management's opinions only get us to a 'very low' level of confidence.

The reason for this is that all of these are totally subjective and subject to bias. What you need is more data.

Let's assess the confidence of our three features:

- **Dashboard**: with only internal opinions and a business model document, this rates very low (0.4).
- **TFA**: contractual agreements don't appear on the model above, however, for our purposes, we'll label this as a medium (5).
- **SMS**: being a top customer request would give this a medium-low (3) score.

The team became concerned their estimate for the Ease of Implementation of SMS may have been optimistic, so a technical spike was scheduled. During this, their fears were confirmed; the team found out that this wasn't nearly as easy as they originally thought. The SMS back-end code is littered with technical debt they would need to refactor. Ease of Implementation needed to be adjusted down to a 5.

Feature	Impact (I)	Ease of Implementation (E)	Confidence (C)	I * C * E
Addition of new revenue dashboard	7.03	1.54	0.4	4.33
Two-factor authenticatio	10	2.5	5	125

n (TFA)				
Ability for CRM to send customised SMS	3.75	5	3	56.25

Interesting! The lack of confidence in the dashboards and overall ICE score means that this project won't be greenlit for development anytime soon.

However, it doesn't mean it's a bad idea. The team sets out to gather more data on it. Due to the revised estimate of customised SMS, it also falls into 2nd place. Which leaves TFA going into development in 1st place.

> Note: Judgement should be used when applying this kind of approach to prioritisation. In some cases (for small features), it would be better to just do *something* than spend all your time trying to predict the absolutely best thing to build. Instead, these tools can be selectively applied. Much of the value is the rigorous thinking and questions that are asked during the process, which can help ensure there are no grey areas for the Development team when it does come to the time to develop.

After taking a step back, the team set out to gather more information on dashboards and how real customers would use them. After a series of interviews and design mock-ups, the team has a new level of understanding. Rather than an entire dashboard full of metrics, the majority of customers really just wanted a widget to track late payments. This was their number #1 problem.

The team then did some market research to find that customers would be willing to solve this problem, over and above their standard subscription.

New ICE metrics were then calculated for the remaining two features:

Feature	**Impact (I)**	**Ease of Implementation (E)**	**Confidence (C)**	**I * C * E**
New 'late payment' widget	10	3	3	90
Ability for CRM to send customised SMS	3.75	5	3	56.25

It turns out that the customised SMS was actually a feature to avoid building straight away. Recall that way back, this was something we previously had in 1st place!

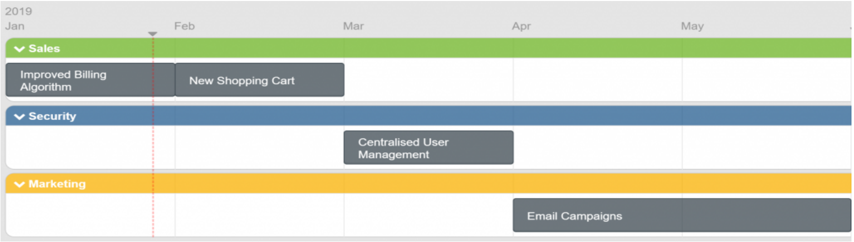
By using CoD, WSFJ and ICE, we have navigated a tricky situation and delivered maximum value to our users. Product superhero indeed!

5.
Roadmaps

Ditch your public roadmap

A public roadmap sounds like a good idea. Except it isn't.

Prospects and existing customers want to know what's coming and when. Typically, via the Sales team or the Directors, the Product Manager (PM) is tasked with publishing a roadmap. The aspiring PM creates a solid public roadmap with features, themes and release dates. It might look something like this:



Sending this to the customer seems harmless...

It's well received. Grumpy customers are quelled. New customers have signed up. Everyone is happy.

And it's all downhill from here.

The Improved Billing Algorithm is more complex than you thought, and the date slips. Then slips again. The New Shopping Cart ships on time - except it misses the mark. It turns out it isn't fit for purpose and receives poor feedback. Adoption is low and you're now caught between two poor choices:

a) Going back and re-working it; and delaying your next feature.

b) Moving on and leaving this turd out in the wild.

Centralised User Management was rushed out to hit the deadline. Whilst a good concept, it was full of bugs, which ended up blowing up your support desk. Email campaigns were supposed to be a home run. Marketing were desperate to recover from the past few releases and planned an entire multi-channel campaign on launch day. However, it just didn't sell. It was a feature launch with no proof it worked, no case studies and likely poor training and support.

After this poor run of releases, your customers now raise an eyebrow to your roadmaps. Your reputation for delivering value on time has taken a beating. It didn't have to be this way.

Customers don't actually want a roadmap. Roadmaps are a means to an end. A classic case of over-promising and under-delivering. They want products that serve functional, emotional and/or social needs. What can you do instead?

Zoom in on your current features

Zooming in involves measuring feature adoption across your user base. Often, decent features you've already built aren't being used properly, due to a miscommunication of value (*"why should I use it"*) or lack of customer education (*"I don't know how to use it"*). Find out which segments of users aren't engaging and why. Then empower Customer Success and Support to target and educate those groups. Helping your customers get more value out of what you've already built increases ROI.

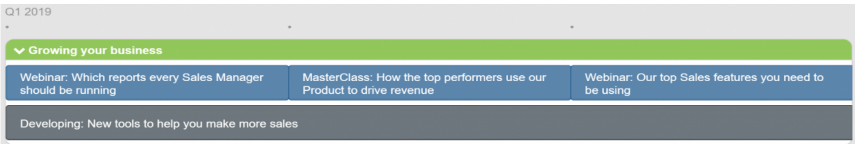
Zoom out on your upcoming features

Zooming out on your roadmap means removing all specifics, like features and dates, from the roadmap. Instead, you could discuss themes.

This approach could roll up into a customer-facing statement like this:

> "This quarter, we have a big focus on business outcomes. We'll be releasing a series of webinars, educating users how to use our reporting engine to drive operational success. We're also developing new features aimed at driving your sales engine."

You could visualise this in a number of ways. Here's one take:



Zooming in on current features and zooming out on future features.

This may not be the roadmap your customers wanted, but it's the roadmap they need.

You've now created the black-box space to work with customers that are willing to be design partners or a beta group.

Through them, you can test ideas and early iterations. Features may take weeks or months of tweaks before you do a big marketing push and rollout.

When you do this, you increase the odds of success by a magnitude. You have proof the feature works, polished training content, experienced customer support, the feature is bug-free, customer testimonials, and vetted pricing plans.

Then you'll have moved from broken promises to customer delight.

So, ditch the public roadmap. Focus instead on creating power users, development themes and iterating with your design group.

Agile roadmaps for internal teams

We've already discussed why public roadmaps are a bad idea. Many of those reasons hold true for traditional internal roadmaps as well. Yet roadmaps for your internal teams are one of the key artefacts to produce as a Product Manager.

On the surface, they actually look like great planning. Content that the team has a ‘plan’, senior management often ticks the 'roadmap' box and moves on to other matters. All is well.

Except it isn't.

Roadmaps are a false sense of control. This is because they are built on ***project*** management principles of scope, resources and time. This approach works when you are building a known solution with little variance; such as an apartment building.

Product management is different. Whilst you often know where you want to go, you don’t necessarily know the best way to get there. The *what* and *how* are uncharted territory. Product management instead revolves around finding solutions that are desirable, viable and feasible. That is to say:

- Desirable: *Do users want us to build this?*
- Viable: *Should we build this?*
- Feasible: *Can we build this?*

By trying to forecast the exact *what* and *how* so far in advance on a traditional roadmap, you leave your team with very little room to pivot.

It is at this stage that any number of unconscious biases can come into play to 'stick with the plan'. Let us view them through the eyes of Sam, our hypothetical Product Manager.

Selection perception

This is a mental shortcut people take to only see information that supports their previous interpretation. Despite growing evidence to the contrary, Sam thinks, "*Overall, this project still looks worthwhile."*

Availability heuristic

The tendency to form judgements based on available data, at the expense of accuracy. *"This feature has a lot of votes from users, so we need to do it," says Sam.*

Escalation of commitment

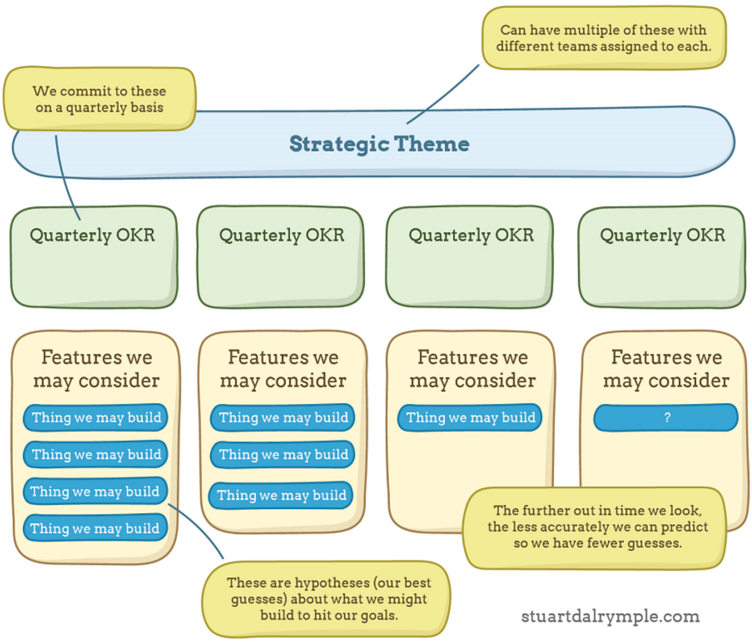
With each investment of time, money and brain-power into a project, the harder it becomes to kill it off. Everyone can relate to an experience where a project or feature had been dragging on for far too long, despite all signs pointing to the fact it was a failure, only for management to dig their heels in and keep going. *Sam exclaims, "We've come this far - we can't stop now!"* At first, everyone knew this as Sam's "pet project" and didn't want to upset her. Over time, it became the project they always worked on. They were on a mission and it was part of their culture. This is also known as the sunk-cost fallacy; because so much has been invested, people feel they will be losing all previous investment if they do not continue.

Yet that is not how it works in economics. The money and time are already spent. They cannot be recovered. The only thing to evaluate is whether to spend more, or whether there is a better opportunity to divert those resources to.

Ultimately, the project limped across the finish line with disappointing performance. It was a large waste of resources, with a large opportunity cost.

Sam needed a better way. How could she update the unwieldy roadmap to minimise waste?

The Agile Roadmap



Source: Gothelf, 2019

Let's discuss some of these pieces in more detail.

Longer term strategic theme(s)

Themes should tie back to your strategic positioning and activity fit we identified in earlier chapters. This is where that thinking is translated into your product, so it deserves to receive adequate attention.

Objectives & Key Results (OKR)

This framework - made famous by Google - allows for multiple layers of goal setting throughout an organisation.

They often begin at the company level, then down to product, and finally to teams. The key is to have both vertical and horizontal alignment. Vertical meaning that the teams will be working on initiatives that flow up to company-wide objectives. Horizontal alignment so that they are working towards common goals with other teams around them.

This might sound obvious, but teams can work against each other, whilst having the best intentions and trying to move the metric they were given. Here are some examples:

- Sales team over-promising to get the sale (and hit their KPI), whilst Customer Success is measured on Net Promoter Score (NPS). Due to unmanaged expectations, Sales is driving up against Customer Success.
- Development team being measured on velocity, whilst Operations is measured on service level agreements (SLA's). Development introducing bugs now hurts Operations.
- Support being measured on first-call-resolution and response times, whilst Development is measured on

> NPS. Support never raise ‘common + easy fix’ bugs with Development, as they can turn those around fast (thus making their numbers look good). Meanwhile, the customers who call the centre, often to have these bugs fixed, are unhappy and give a poor NPS rating. Development never had much chance to impact that number.

Some OKRs should be time-boxed to timescales of a quarter. This is for multiple reasons. It will be more motivational (or less demotivational) for the team to have a medium-term goal to work towards. Any time scale too short, and people think it’s unrealistic. Too far away and people will slow down to ‘fill up’ the perceived space.

Timeboxing OKRs to a quarter also gives a natural breakpoint for any long-running projects suffering from escalation of commitment to be halted and reconsidered.

Features we are considering

These are the one-pagers and features-as-bets that align with the quarterly OKR.

Here, the team would innovate, getting ideas from internal and external sources, as well as the quarterly OKR. The best ideas would be outlined as features-as-bets, using the one-pager template.

Note, the team doesn't commit to any one 'bet' at this stage. Over the course of the quarter, they will be validating assumptions and trying experiments to learn which of the proposed features are the most desirable, viable and feasible, to meet this objective.

Let's build an Agile Roadmap

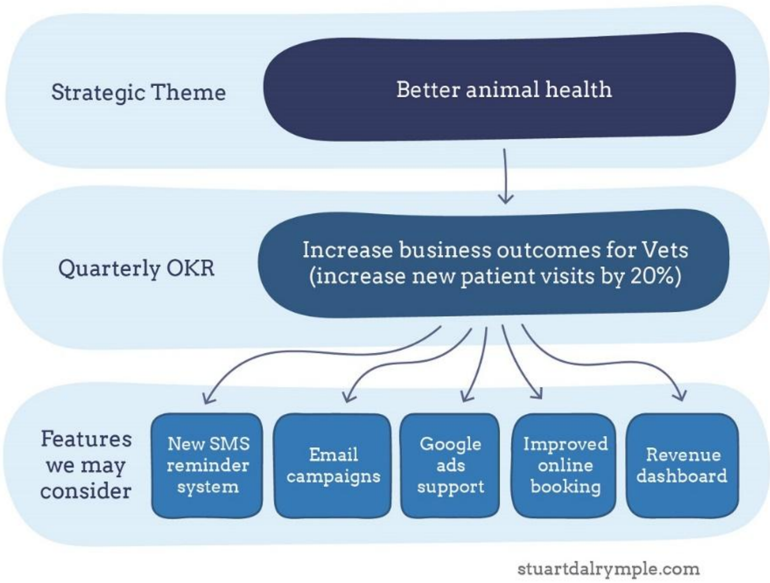
We'll build out an example of an Agile Product roadmap using a hypothetical company that makes software for Veterinarians.

Longer Term Strategic Theme:
"Better animal health"

Quarterly team OKR:
Increase business outcomes for vets. Increase new patient visits by 20%.

Features we are considering:

- *New SMS recall system to bring back existing customers*
- *Email campaign support*
- *Google Ads integration*
- *Revamped Online Booking engine*
- *Revenue Dashboard*



So, we have our roadmap, our bets have been placed, and it's time to get down to work. Where do you start? With a RAT.

Riskiest Assumption Test (RAT)

Any proposed feature will have various assumptions attached to it. A RAT is a 'riskiest assumption test' (Higham, 2019). If your riskiest assumption turns out to be false, it will be a point at which the team needs to decide whether to pivot or persevere. If you persevere, you will move onto the second RAT. If you pivot, you will move onto the first RAT of the new direction. You may decide to put the feature on ice totally and move onto the next.

So how is this different from an MVP?

Somewhere along the way, the definition of Minimal Viable Product (Ries, 2011) lost its meaning. It was originally more of a RAT, however, increasingly, MVP is used in reference to a first iteration or beta product. It was far more work than was needed to test the riskiest assumption, and yet it was not enough for customers to actually like it either.

New variations on MVP came out to differentiate that gap between launch and customer delight. MMP (Minimal Marketable Product), MLP (Minimum Lovable Product), MDF (Minimal Delightful Feature) and more. When you are planning features-as-bets to hit a quarterly OKR, you don't have time to waste by creating the wrong version of your feature. Instead, we can look to de-risk them with a RAT.

A riskiest assumption test need not even involve code. It could be any number of:

- Data-mining or data analysis of existing product usage
- Survey and NPS results
- Phone interviews and focus groups
- Design mockups
- Competitor analysis

To combat confirmation and availability heuristics, we need to search for disconfirming evidence. We can't simply stop at the first data point that indicates we've made the right choice. This is easier said than done. How often have you hit Google's home page, convinced an opinion you held was fact, and searched for evidence that aligned with that? Rarely do people go looking for evidence that would debunk their beliefs.

The reason for this is to avoid cognitive dissonance; the state of mind where two opposite things are true. Your brain does not like to hold conflicting information. It prefers one or the other; typically preferring to keep its original stance.

Each feature might have a RAT to help either progress it to the next stage, or to avoid doing it at this time. We'll assume we had previously arranged the features in WSJF order (left to right) and evaluate the first three.

SMS Reminder System

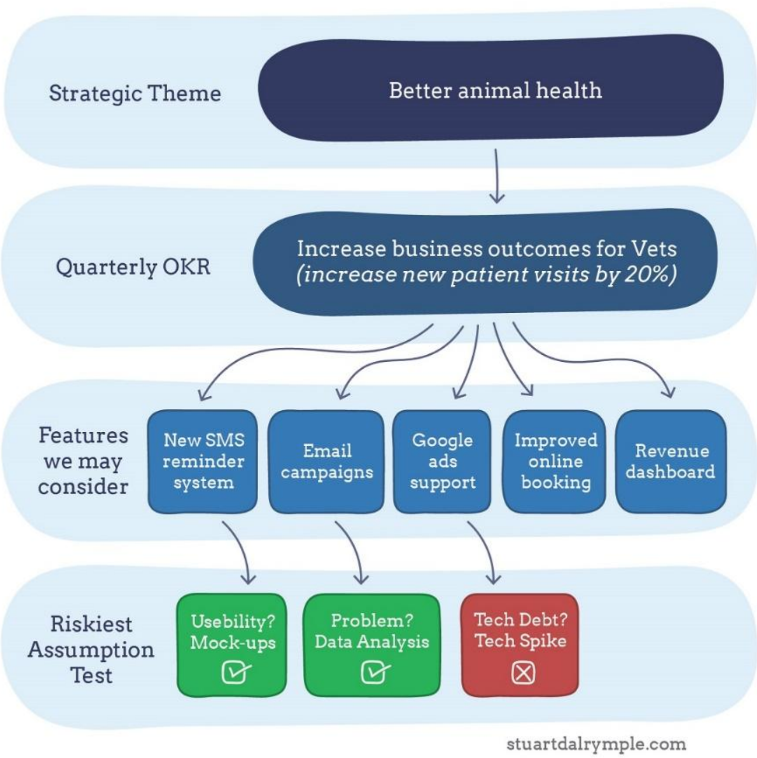
The riskiest assumption was that we could design a system that didn't require intensive user training. This was because the feature included a number of components, including templating and scheduling, that users had struggled with in the past (which ultimately resulted in increased support calls and poor feedback). The team decide to create paper mockups and have a beta group work through them. There were some adjustments to make, but overall, the perceived usability was good and it could now progress into development.

Email Campaigns

The team had anecdotal evidence that their users wanted better email campaigns. They weren't clear on exactly what "better" meant. The risk here was building the wrong thing. The Product team analysed the email data in their production system. Upon studying the habits of our 10,000 users – when they sent emails, what kinds of emails, who did they send them to – we were able to group use cases into buckets. One of the largest buckets was referrals - sending patients from one clinic to another. The team decided to then help streamline the email referral process, knowing it was a real problem. This could progress into the design phase.

Google Ad integration

The riskiest assumption here was that we could efficiently complete the integration piece between the legacy backend code and the Google API's. Some additional tech debt was uncovered and would require a larger overhaul. This meant the work simply wasn't worth the value this feature would bring. The RAT failed, and the feature was iced for now.



Through prioritising, analysing and testing, the Agile roadmap helps ensure the team is delivering value with the ability to persevere, pivot or punt, as required.

Where do you suck and where does it matter?

When comparing services or products, the magic number is 20%. Imagine we are comparing two cartons of orange juice:

- Juice A - $4.20
- Juice B - $4.70

Juice A is 11% cheaper, however, this is not large enough to be a deciding factor in choice. Consumers would most likely see them as roughly equivalent, and look for other reasons to choose. Do I know or like the brand? What is the quality of the packaging? What is the origin of the ingredients?

This holds true for more expensive products too. Imagine two cars: $27,000 versus $29,700. People will mentally note the 10% price difference. However, again, it will most likely not be the deciding factor.

Now revisit our choices with a price difference of 20%.

- Juice A – $4.20
- Juice B – $5.04

Suddenly, Juice B looks considerably more expensive. It would most likely tip the scales and consumers might choose Juice A because of it. The same would be observed for our cars:

- Car A – $27,000
- Car B - $32,400

This is not to say people *won't* buy Juice B or Car B. Instead, they will have to justify their value in other ways; in a non-linear relationship to the increase in price.

This observation in reaction to price is similar to what can be observed for 'perceived value'; of either an item, service or feature. The "value" of a feature to a user cannot often be quantified and is subjective. However, users have an internal alarm that seems to go off when the difference between the two products is greater than 20%.

Users make these comparisons all the time (often subconsciously). Perhaps two different software suites had a simple reporting function. Software A took 10 clicks to use. Software B took 11 clicks to use. This would not feel much different. However, if in comparison Software B took 12 or 13 clicks to do the same task, it would start to feel clunky and tedious.

Unfortunately, the value of each feature cannot always be measured as an "inverse of clicks" (if only it were that simple).

Our imaginary Product Manager – Sam – works for PetSmart, a veterinary CRM. They are doing some research on their biggest competitor – *DogSpot*. According to the *DogSpot* website, their top 5 features are as follows:

DogSpot Top 5 Features

- Client Marketing – *ability to send custom SMS & email reminders to customers*

- Online Booking – *customers can book online*
- Appointment Book – *manage upcoming appointments with full flexibility, custom colours, and more*
- Prescriptions – *prints out legally compliant prescriptions for animal medicines*
- Tax Filing – *send tax records to Government*

Sam's Sales team is struggling to compete with *Dogspot*. They have a strong offering – particularly their Appointment Book – which receptionists love. In fact, Sam's Managing Director has set the directive to improve their own Appointment Book. They cannot keep losing deals over this!

Where should Sam spend the development effort? How much effort should be spent? Where do they suck, and where does it matter?

It can help to think about features in categories:

Table stakes - *Also known as hygiene factors. If you don't do these, customers will hate you. However, doing them doesn't win you any points either; you just need to have them to be in the race at all.*

Differentiators - *Things that you do better than anyone else. They are the reason customers choose and love you.*

Now let's revisit *DogSpot's* features from their point of view:

Feature	Table Stakes	Differentiator

Client Marketing	✅	
Online Booking		✅
Appointment Book		✅
Prescriptions	✅	
Tax Filing	✅	

Should you always match competitors' differentiators at 100% parity? No. There is a third category; the neutraliser.

Neutralisers are where we can leverage our 20% rule. It's something that you do "good enough" on, without reaching the heights of your competitor. They only do it <20% than you, so you effectively neutralise their advantage.

Evaluating where you suck

Sam decides to evaluate her company's offering against those of *DogSpot*.

Appointment Book

The Appointment Book that Sam has currently is very bare bones. It clearly needs some work to compete with *DogSpot's* highly developed Appointment Book. Working with the Development team, they come up with 5 different options to improve the Appointment Book:

- Option A – to be 80% as good as *DogSpot*
- Option B – to be 90% as good as *DogSpot*

- Option C – to have feature parity with *DogSpot*
- Option D – to be 10% better than *DogSpot*
- Option E – to be 20%+ better than *DogSpot*

Sam also seeks development estimates on the above. Let us also recall the 80/20 rule. You can typically extract 80% of the value in 20% of the time; the remaining 20% of the value taking 80% of the time.

Sam draws up a table to evaluate the options:

Options to improve *PetSmart* Appointment Book				
Option	Value	Effort	Value / Effort ratio	Outcome
A	80%	20	4	*DogSpot* still has a UVP
B	90%	60	1.5	*DogSpot's* UVP has been neutralised
C	100%	100	1	*DogSpot's* UVP has been neutralised
D	110%	140	.79	*DogSpot's* UVP has been neutralised
E	120%	160	.75	*PetSmart* now have a UVP

As you can see from the above, simple value/effort does not tell the whole story. Whilst Option A is the most efficient, it is also wasted effort; customers will still select *DogSpot.*

Options B acts as a **neutraliser**; it will diminish *DogSpot's* unique value proposition (UVP). While Option B is not quite as good, it will be considered "good enough" by customers (they will look for other differentiators, as we saw in the juice example).

Options C and D also act as neutralisers. However, they are wasted efforts. They are not enough to become differentiators and will have little effect on sales.

Option E would (in theory) enable Sam's product, *PetSmart,* to have its *own* UVP on the appointment book. However, given this was already meeting customer needs, this will most likely be overkill and not a compelling reason to buy.

Client Marketing

Whilst Sam has efficiently neutralised *DogSpot's* UVP, they still do not have one of their own. Looking at the feature list, there is little value in over-designing prescriptions, and it would take too much effort to invest in a better Online Booking solution.

Creating differentiators where your competitors only have table stakes is one way to do this.

There is, however, untapped value in Client Marketing. *DogSpot* only does a table-stakes job here (custom SMS & email reminders). These have long been considered the industry standard. Nevertheless, how else could Sam's team improve their client marketing? After all, unlike prescriptions and regulatory features, marketing has the ability to drive top-line revenue.

Options to improve *PetSmart* Client Marketing

feature				
Option	Value	Effort	Value / Effort ratio	Outcome
A	100%	0	0	*Do nothing - PetSmart also have a table stakes version of this feature*
B	150%	100+ 40	1.08	*PetSmart* now have a UVP

Sam and the *PetSmart* team create custom marketing campaigns, integrating them with mail fulfilment services and the ability to track ROI and record customer lifetime value.

They invested 100 points of effort, plus the bonus 40 points they saved during the Appointment Book improvement. They now have a clear UVP against *DogSpot*; one that will be very expensive for *DogSpot* to match.

You cannot just 80/20 everything. Some things you just need to be the clear best at.

- Mark Zuckerberg

6.
Negotiation

Negotiation strategies and techniques

Some say Product Managers are like mini-CEOs.

Internally, you are the intersection of sales, marketing, training, support, management and developers. Externally, you face the most important stakeholder of all - customers - as well as a host of other partners and suppliers. You have to consolidate everyone's point of view, formulate and execute a plan, whilst keeping them all (relatively) happy.

You'll also have to do your fair share of negotiating. From pushing back requirements from corporate customers, and getting other departments to do your bidding, to getting concessions from senior management. Most of the time you won't have direct power over people who you need to do things. Negotiating is therefore a key skill you need.

Basic concepts

A negotiation is where two or more parties come together to give up something that the other party wants, to get what they want *more*. Before we can plan our perfect negotiation, we need to understand some additional basics and terms.

Why do people negotiate anything?

Parties negotiate because they think they can get a better deal than by simply accepting what the other side offers them. When they do negotiate, parties expect a “give-and-take” process.

For anyone who chooses not to negotiate and "walk away" from a deal, that option is called a Best Alternative to a Negotiated Agreement (BATNA). The strength of your BATNA can translate into leverage or power in any negotiation setting.

What are some situations that call for negotiating?

- To agree on how to share or divide a limited resource
    - *e.g. development time or roadmap space*
- To create something new that neither party could attain on his or her own
    - *e.g. corporate licenses in exchange for money to fund new teams*
- To resolve a problem or dispute between the parties
    - *e.g. breach of a Service Level Agreement (SLA)*

What are typical types of negotiation?

Types of Negotiation	
Collaborative	Competitive
This is an integrated approach, where you are 'growing the pie' together, creating value on both sides *e.g. "...let's have Development and Support collaborate on how to get better customer outcomes, and drive up NPS"*	This is a distributive approach, where you are 'dividing the pie', and is zero-sum by nature. *e.g. "...with all other intangibles having been discussed, let's discuss final licensing and pricing"*

Often negotiations involve both collaborative and competitive phases.

Resistance points & the bargaining zone

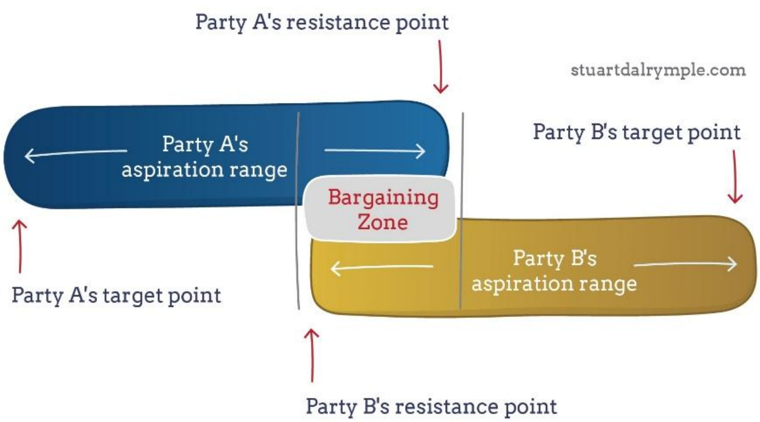
One source of tension focuses around the parties' resistance point. This is the minimum or maximum they are willing to concede.

For example, let’s say Party A has a resistance point of $500 a month for additional cloud storage space (*meaning they won't pay more than that)*.

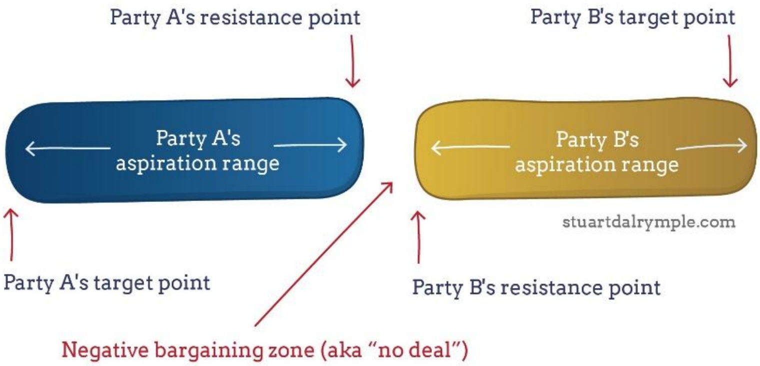
Party B has a resistance point of $400 as the minimum price to charge for additional cloud storage (*meaning they won't accept less than that*).

The "bargaining zone" is the range between the two parties' resistance points. Assuming there is overlap, a deal can be done. In the case above, anywhere between $400 and $500 will be acceptable to both parties.

The resistance point is typically informed by the parties' BATNA. For slightly more than $500 a month, Party A may be able to pay for an alternative backup solution, and thus it becomes their walk-away option.



In the above diagram, a deal could be struck for any values within the bargaining zone



In the above diagram, Party A is not willing to pay the minimum price acceptable to Party B.

You can see how the strength of your walk-away option informs what you're willing to accept. We'll revisit BATNA's more as we go on.

When should you not negotiate?

- If one is able to meet one's needs without negotiating at all, it may make sense to use an avoidance strategy.
- It simply may not be worth the time and effort to negotiate for small wins, or at the larger cost of political capital, compared with your BATNA.
- In situations where to do so would be unethical.

Playing hardball

Whilst we recommend collaborative negotiations in most business situations, there are a number of so-called hardball tactics that people might employ. This could be for any number of reasons:

- They may be intentionally competitive and combative.
- They were insulted at some point prior or during the process.
- They are trying to impress people at their company.
- They saw it in a movie and thought that’s how negotiations are done.

Let's review some common tactics the other parties might use against you, so that you can prepare appropriately.

If you know the enemy and know yourself, you need not fear the result of a hundred battles.

- Sun Tzu, Art of War

Hardball tactics

Hardball tactics come in many disguises. Here are the seven most common:

1. Lowball / Highball

This is the most common tactic of all; making a ridiculously low or high offer to start the negotiation. *Why do people do this?*

Anchoring is the mental bias we have to the first number we hear. Recall that both parties have a bargaining zone - a maximum and minimum they're willing to accept. When someone makes an offer, intuitively, this will be closer to their target point. Their bargaining zone will extend "some distance" from that. By setting the start of the 'zone' to an extreme, it can shift your mental perception of the mid-point (where you might land). When your opposition starts with a very low anchor, you might feel forced to try and "work your way up" from that. You'll be on the defensive and need to justify why it needs to move from this lowball point, making your own target seem unreasonable.

2. Chicken

This is calling your bluff on your BATNA. They intend for you to "chicken out" and leave the negotiation with the status quo. Whilst a hardball tactic, it can be delivered in subtle ways. *"We really value the work you do. Unfortunately, the budget for this year is locked in and we simply can't move on your salary. We'll definitely review it next year."* Sound familiar?

3. Bogey

This is where one party plays up an issue that is of little importance to them, but valuable to the other party. By "giving it up", they then trade it for something they value. Perhaps they claim they *really* want you in the office, so letting you work from home is a justification to pay you less. Meanwhile, they didn’t really mind if you worked remotely.

4. Aggressive Behaviour

This can manifest in many ways, from the overt to the subtle. When customers scoff at your best price, and insist you are ripping them off, it's a form of aggressive behaviour. Other examples include asking for a detailed breakdown of every single item in a quote, or using guilt to try to get you to back down (*"I can't believe after all we've done for you, you’re asking for this kind of deal"*).

5. Ultimatums

This is a variation of 'Chicken', where an offer is made with a conditional time element or as a 'one-time deal'. You either take this deal or there is no deal. Essentially, this tactic is calling your bluff that the deal offered is better than your BATNA, and you have to take it or lose it.

6. Mud-Slinging

Mud-Slinging is a form of aggressive behaviour that tries to reduce your BATNA. This works to give you less leverage over them. If your employer found out which company you had an offer from, mud-slinging would involve them listing all the reasons why that is a bad place to work.

7. Good Cop / Bad Cop

We've all seen the movie where the bad cop tries to rough up the suspect, only for the good cop to come in and try to make a deal. The point is to encourage a deal to be struck with the nice guy, rather than having to deal with the bad cop again. The same can happen in companies (or with customers), with multiple layers of management. A nuanced version of this is where your manager (good cop) has to go check with their manager (bad cop). Your manager then comes back with a really good deal considering the circumstances; they pushed their manager and this is the best they could get you. Do you believe them?

How to deal with hardball tactics

You have at least four options to deal with these kind of hardball tactics. Let's watch Sam divert her manager's attempts to shut down a salary negotiation.

1. Ignore

Manager: *"We've reviewed all employees' salaries and due to a really slow sales year, we only have the budget for a 1.2% increase." (Lowball)*

Sam, ignoring that: *"As per my earlier points, my target increase is 15% based on market rates and my history of going above and beyond."*

2. Identify & Discuss

Manager: *"Well Sam, the best I could do is offer you 5%, but it's a one-time deal. You'll have to take it or leave it." (Ultimatum)*

Sam, identifying and discussing: *"I see. You want to offer me an ultimatum. They can be effective when people don't have any other options. However, as you know I do have options, including an offer from Company X. So I'd like to discuss my target increase of 15% with you."*

3. Co-opt the other party (befriend them)

Manager: "*You got an offer from Company X? I heard they were a sinking ship. Careful of what you're walking into there!"* (Mud-Slinging)

Sam, befriending: *"I always appreciated that as a boss you were a straight shooter. It's why I wanted to deal with you on this negotiation. Let's discuss the 15% I need."*

4. Respond in kind

Manager: *"We both know you're pretty happy here and the team respects you. Are you willing to lose everything you have for a small raise?" (Chicken)*

Sam, responding in kind: *"Replacing me will be expensive in advertising and recruiter fees, not to mention the loss of momentum. Would you want to lose me over a small raise?" (Chicken)*

> **Tip**: Ask your friends and colleagues to come up with a bunch of hard-ball tactics and practice deflecting them. It will gamify the whole experience, and you might even enjoy the 'game' of negotiating while you're playing. It's nothing personal - it's just business!

Planning the perfect negotiation

The negotiating table is a metaphorical (and literal place) where deals happen. By doing appropriate planning *before* you get to the table, you can increase your outcomes significantly.

Below is a 5-step process that you can follow for any negotiation. There will also be a template at the end (including a link so you can adapt it for yourself).

We're going to follow a hypothetical software license negotiation. However, you could just as easily adapt it to an agreement between internal teams - or your next salary review.

1. Setting goals & strategy

Start by mapping out your own goals for the negotiation. What do you want from the other party? We'll follow Sam - our product Manager at *PetSmart* - as she plans for a negotiation with a large corporate prospect.

Sam's Goal

Tangibles:

- *Have the prospect sign an enterprise deal*
- *Ensure agreed SLA's can be met*

Intangibles:

- *Gaining commitment for being a reference site*

- *Agreement on how roadmap requests will be handled*

Negotiating strategies come in two types: collaborative and competitive. These in turn are driven by two questions:

- How important is it that you hit your goal(s)?
- How important is the relationship with the other party to you?

Use this simple matrix to inform your initial strategy:

Negotiation Strategy Matrix	Relationship is very important	Relationship is not very important
Outcome is very important	Collaborate	Compete
Outcome is not very important	Collaborate	Don't bother

Note that any one negotiation may involve both strategies; first growing the pie (collaborate), then dividing the pie (compete).

Sam's Strategy

- ***Relationship*** *is very important &* ***outcome*** *is very important = Collaborate*

2. Define the economic contract

List all tangible and intangible issues up for negotiation. Then define the issue importance by priority ranking, resistance point (worst acceptable outcome), and target point (best possible outcome). The target points tell us where to pitch our opening offer. The resistance point will tell us when to stop conceding.

Tip: Negotiators who focus on their resistance point obtain poorer outcomes than negotiators who focus on their target point.

- Assoc. Prof. Dashani Melbourne Business School

Sam defines the economic contract			
Issue	***Priority***	***Resistance Point***	***Target Point***
Testimonial	*1*	*Permission to use logo*	*Public reference site, co-authored white paper*
Uptime	*2*	*99.9%*	*99.7%*
Enterprise Licensing	*3*	*$30 per seat*	*$50 per seat*
Roadmap requests	*4*	*1 per quarter*	*Assessed case-by-case*
Rollout Plan	*5*	*1 site a month*	*4 sites a month*
Training	*6*	*3 days face to face*	*3 days remote training*

Storage	*7*	*100Gb per site*	*10Gb per site*

3. Define the social contract

Whilst many people have experience creating business cases and hammering out commercial terms, the underlying social contract has unravelled many a good deal on paper. After all, it is people (not robots) who have to sign the terms and work together.

These social contract assumptions capture the 'spirit of the deal'. A common misconception is that they shouldn't be included on paper; **they can and should be**.

These questions can be categorised into two groups: underlying (*the what*) and the ongoing (*the how*) (Sebenius, Fortgang and Lax, 2003).

Ask yourself, and the other party, these questions and embed them into the contract where appropriate:

Underlying:

- *What is the nature and purpose of this agreement?*
- *Is it short-term or long-term?*
- *Is it a series of discrete transactions (e.g. vendor-client) or a problem-solving partnership?*
- *What decisions will each party make?*

Ongoing:

- *How we will we work together?*
- *What formal and informal communication channels will be used?*

- *What is the expected scope of communications? What is expected to be discussed, and what isn't?*
- *How will we resolve disputes?*

Social contract issues should also consider risk factors. Misunderstandings where assumptions were not made explicit are common, but can be avoided. Other risks include a clash of cultures, third parties driving the deal, or having too few parties involved.

Most deals are 50% emotions and 50% economics.

- Felix Rohatyn
Former US Ambassador to France

Misunderstandings can easily occur between partners. For example, if a party engages with a competitor of the other. It may not be in the contract that it was an exclusive partnership. However, as part of the ongoing ***social contract,*** the partner may have assumed something like this would be discussed prior. As it wasn't made explicit, the partnership may sour from that point.

Knowing this, Sam adds an ongoing social clause to the contract (*she'll have her law team ensure it conforms to proper legalese*):

Sam's social contract

This agreement is non-exclusive, and either party may engage in work with the others' competitors. In doing so, a courtesy note in writing should be provided prior, and all decisions and communications between the parties of this contract should remain confidential and not disclosed elsewhere.

How to design contracts for success

To boost the chances of success, make economic and social contracts mutually reinforcing. This is called **dovetailing**.

Dovetailing is about aligning the social and economic incentives. Telling a partner up front that you plan to buy them out if they hit X milestones, or that you'll increase spend or hold price if they hit Y delivery dates, increases the chances of the deal holding up longer.

4. Size up the other party

It's time to step into the other parties' shoes. The more information you can get on the below, either before or at the table, the better your chances are to find something in the bargaining zone.

What would they do if there was no deal with you? This is their BATNA.
If you don't give them a better deal than they'd have without you, the negotiations won't last long!

What would they really want out of the deal?
How much better than their BATNA would it have to be?

How will they sell this deal to their own boss and make them look good?

How could you solve their problem as a means of solving yours?

How important is each issue to them? (rank them)

For each issue, what is their resistance point and target points?

Can you trust the other party? Does the other party trust you?
What signals could you send early on to establish this trust? Once trust is broken, it is almost impossible to repair during negotiations.

What do you know about the other party's style and tactics? (i.e., accommodation, collaboration, or competition)

What are the limits to the other party's authority?
Don't concede all your hand, particularly if you're not sure whether you're dealing with the decision marker. If they have to go back to their boss to get sign-off and come back with more requests, you'll have nothing left.

Sam's understanding of the other party
PetSmart is the preferred vendor, however, there are other options.   *Customer wants a good, scalable price and service that will scale with their growth.*   *Traditionally, the customer had a formal client-vendor relationship. However, they are looking for more supportive partnerships going forward.*

Sam defines the economic contract					
		PetSmart		***Enterprise Customer***	
Issue	***Priority***	***Resistance Point***	***Target Point***	***Resistance Point***	***Target Point***
Testimonial	*1*	*Permission to use logo*	*Public reference site, co-authored white paper*	*Would stop short of recommending us on their*	*N/A*

				corporate website - open to video case studies	
Uptime	*2*	*99.9%*	*99.7%*	*99.9%*	*99.99%*
Enterprise Licensing	*3*	*$30 per seat*	*$50 per seat*	*$35 per seat*	*$20 per seat*
Road map requests	*4*	*1 per quarter*	*Assessed case-by-case*	*Assessed case-by-case*	*2 per quarter*
Rollout Plan	*5*	*1 site a month*	*4 sites a month*	*4 sites a month*	*8 sites a month*

Trainin g	*6*	*3 days face to face per site*	*2 days remote training per site*	*Face-to-face as required*	*Train-th e-Trainer progra m*
Storag e	*7*	*100Gb per site*	*10Gb per site*	*10Gb per site*	*20Gb per site*

Positions vs. underlying interests

Often, deals can reach an impasse when parties' have different positions. The position is the 'what' and not the 'why'. This will be familiar to anyone acquainted with the 'Five Whys' approach.

In Sam's case, this may be that her client wants their own privately hosted server (the 'what'). Sam's company does not offer this.

Diving deeper than positions, we explore their underlying interests (the 'why'). The customer had a bad experience in the past whereby they could not control software updates going out to users, which caused support and training issues. Sam's company’s reason is that private solutions have high ongoing maintenance costs.

Knowing the underlying interests, they brainstorm on a new approach. Although the system is multi-tenanted, as Product Manager, Sam can design new features behind 'feature flags'. This would enable the customer to control which new features are 'turned on' and thus, limit the rate of change on the users.

Rather than argue over positions, it is better to seek to understand the underlying interests through joint problem-solving.

5. The situation

Finally, assess the situation both parties are in. It will give another lens through which to view the target and resistance points of both parties. This is particularly useful when push comes to shove at the pointy end of negotiations.

What deadlines exist? Who is more impatient?
Whoever feels a greater sense of urgency will make greater concessions.

What fairness norms (i.e., equity, equality or need-based), frames, or reference points apply?
Most negotiations involve a discussion on what might constitute a "fair deal."

What topics or questions do you want to avoid? How will you respond if they ask anyway?
Prepare an answer that is in no way dishonest, but does not expose your weaknesses.

Will negotiations be repetitive?
If so, what are the future consequences of each strategy, tactic, or action?

Who will be implicated by the outcomes of the negotiation?

Sam's understanding of the situation
• *Both parties want to get the deal done, so they can realise post-implementation benefits.* • *Enterprise customers typically ask for higher price concessions based on volume to get a good deal; this will help the deal-signer look good in the eyes of his/her superiors.* • *Sam knows her company does not have a full set of ISO or security-related certifications, which could be a sticking point. However, the alternative products do not have this either.* • *The contract is aimed to be a 5-year deal, so the relationship should be more of a partnership than transactional. Sam plans to ensure discussions are had face-to-face and not over email, to avoid any misunderstandings or loss of goodwill.*

A note on building trust

When negotiating with anyone, you need to **build trust.** Don't jump in and start trusting immediately, but be open to a trusting interaction. Remember to ask for *and* share information about interests and priorities, but watch out for unilateral information exchange.

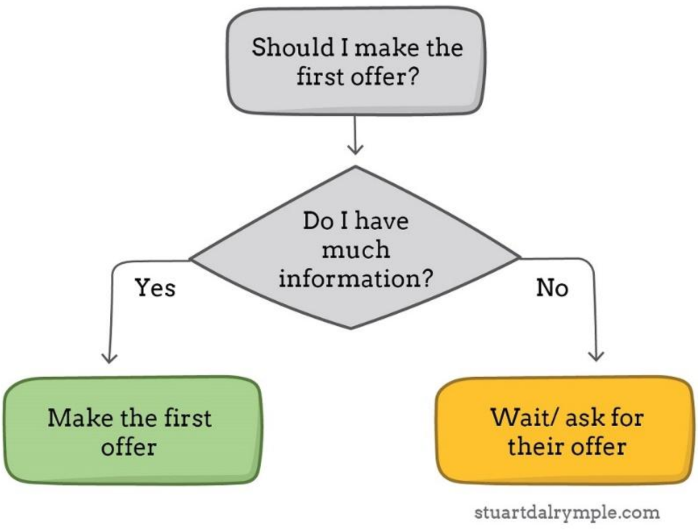
You are dealing with humans. Humans are more likely to cooperate if they perceive the process as personal, respectful, straightforward and fair.

Negotiating your salary (or anything else)

Okay, so you've done your research, planning and the negotiation is about to start. Just like chess, you need an opening gambit, a mid-game and end-game. Read below on first offers, concessions, and how to close a good deal.

Opening Gambit → First Offers

We know from studying tactics that leading with an offer (an anchor) can seriously affect the outcomes. So, when should you lead, and when should you follow?



The key question around first offers is how much information you have.

For a job offer, you can do your research on market salaries, and somewhat reliably form a view of your employer's target and resistance points. Therefore, when they ask *"What kind of salary are you expecting?"* you have good information and could pitch an opening offer.

Where to pitch your opening offer

Remember that you'll almost ***never*** get your target point; the negotiation will always go ***down*** from there. If you pitch your opening offer too low, you'll never get the outcome you want.

Even if you opened with a reasonable offer, it will then have to go even lower***.*** This is because parties want to feel like they got a 'good deal'. They feel this by negotiating you away from your target point. Therefore, it's critical you set the target point with buffer that you can come down from and still be happy.

You also shouldn't pitch it *too* high. You must maintain credibility throughout the negotiation. Anything too high will be perceived as a hardball tactic by you, which they will most likely return-in-kind. Aim to strike a balance of being on the high side and being believable.

Opening Offer (*high anchor example*)

Sam: "I've done my research and great Product Managers are paid $160k."

Note the language used in the above. Sam did not claim to know the average wage of Product Managers. She simply said from research that great ones are paid at a premium. The other party may think this quite high, however, it's not so outrageous to be insulting; Sam qualified that not all were paid that.

Asking for them to make an offer

In most salary negotiations, you should be able to do enough research to put forward a credible opening offer. However, for other negotiations, information is harder to come by.

Let's say you are a web-design firm and a client is asking for your price on a potential project. You know that web design has a massive range of possible prices - as there are many variables - and you have no idea what this client is willing to pay (distance between their target point and resistance point).

Without any information, you could lead with a number below their target point. You've given them an amazing deal (and leaving a lot of money on the table) without knowing it.

You also risk quoting a price so far above their resistance point that they suffer from sticker-shock. They might end the negotiations; convinced you are trying to cheat them.

In the absence of information, a better strategy is to ask them. *"What is your budget?"*

As we know from setting our own opening offer, we know their opening offer is going to be closer to their target point than their resistance point. Nevertheless, it gives us information to work with. We can reasonably guesstimate a high anchor to counter with, and play it from there.

Client: *"Well we were looking at $2,000 for the website"* ← *Their anchor or target point.*

Product Manager: *"Ah - it's true, you can buy a cheap website these days, but you get what you pay for. Our most popular packages start at $5,000". ← Your high anchor.*

Mid-Game → Managing Concessions

You've both made your opening offers and counter-offers. You're now in the mid-game. Both sides expect some give-and-take to enter into the bargaining zone.

Outside of your opening offer, the mid-game is where all the value is created - and divided.

Each time you make a concession, you are signalling something to the other party. Here are five tactics to make the most of your concessions.

1) Double happiness

Imagine you are walking down the street and find a $20 note. Sweet, right?

Now imagine another time, you walk down the same street and find a $10 note. Then 5 minutes later, you find another $10 note. How lucky is that!

In both situations we have the same value, yet the second one feels 'luckier'. So, keep this in mind when planning concessions from your target point. By breaking up the total ground you're willing to give, it will make the other person feel more gratitude.

2) Start large, go small

Having said that, don't just give the same amount each time. Let's say you are negotiating on the price of a used car. The buyer asks you for a discount. You discount $100. They ask for another; you discount $100. They ask for a third discount. Again, you give them $100. The buyer is asking themselves "Wow, when do these discounts end?!"

Instead, if you gave incrementally smaller discounts - say $100, $50, $20 - it signals to the buyer that you are at a resistance point and you can't keep going.

3) No double-dipping

Don't let the other party double-dip by getting two concessions in a row. This is a *give-and-take* process, not a give-and-give process.

If you give something, you need to get something, before you can give ground on the next issue.

Back to our salary negotiation, let's say Sam opened with $160k, and they countered with $125k. Sam was willing to come down to $150k. They then held firm on $125k.

Sam should restate the value she brings to the company and her evidence for why her opening offer is reasonable (e.g. market research that these roles pay $150k+).

If they again state they can't move on $125k, ask them for more information. What makes you worth $125k and not $150k? What kinds of performance targets do you need to hit for $150k?

To get that concession from them, you might have to switch focus.

4) Switching focus

You can also switch the focus from price. State that for you to move down from $150k, you'd need a concession on something else.

Mention something important to you, such as a guaranteed training budget. They finally budge: "We can offer a $2,000 annual training budget."

You can now continue with concessions, having avoided giving two in a row.

5) Bundling

In the absence of good information, you can gather more through a tactic called bundling.

Create some bundles of various issues - that are of equal value to you - and see which one they go for. This will help you understand which things they can move on and which they can't.

Sam goes on: "Great. With that training budget, I could agree to either $140k straight-up, or $138k with flexible working options. Which works for you?"

End Game → Closing the Deal

Note that people naturally get decision fatigue. Even the most hard-edged negotiators reach a point where they just want to get the deal done. Asking for too many concessions right at the end (a tactic known as "the nibble") can just piss people off and make you seem unreasonable.

As the concessions on both sides get smaller, consider a final concession and the option to close it then and there.

From the bundle above, perhaps the employer offered a counter-bundle; $135k with 1 day a week working from home.

Sam looks to close it out: "Let's lock this in - $138k now, moved to $145k in 6 months - and we have a deal."

They'll either accept on the spot, or perhaps counter with their final offer. Either way, there's not much value on either side left, and everyone has other things to do, too.

Congratulations! You're now equipped to negotiate your salary - or anything else - as a Product Manager. Drinks are on you!

7.
Leadership

Going down with the ship

Imagine you're the Captain of a submarine. You have your map and are looking through the periscope. You give the crew a motivational speech and call for full speed ahead.

Except the crew can't believe it.

Doesn't the Captain know we’re heading into hostile waters? The soldier on sonar can see enemy ships closing in. The engineer is fixing a leak that's in the fuel supplies. Meanwhile, the cook just discovered an infestation of rats.

What went wrong here?

We've all been in a situation where a leader makes a decision, while the rest of the crew sits around and discusses how out of touch with reality they are.

Your vision and plans rely on your world-view being accurate. This is the leader’s challenge. Your job then is to create a culture and process where your mental model of the world is accurate. The best way to do this is to be informed and improved with the information from your ‘crew’.

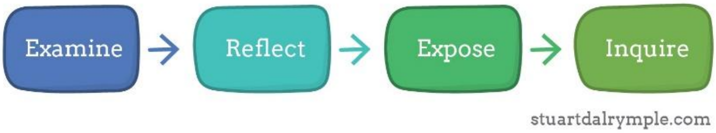
This is critical for Product Managers, who are often tasked with setting the vision and roadmap for their product. If you present a plan that is based on inaccurate assumptions and data from the field, it will either be (a) shot down very quickly, or worse (b) the company will be heading towards their doom, like our submarine Captain.

How then can Product Managers make better decisions?

Senior MIT Lecturer, Peter Senge, says leaders need to learn three core capabilities:

- Fostering aspiration
- Developing reflective conversation
- Understanding complexity

You can start to develop these by following four steps:



Examine

Explicitly state all your assumptions, particularly those that are required to be true for the plan to work.

Reflect

What data did you base these assumptions on? Was it simply a gut feeling? Is it based on anecdotal evidence? If empirical data was used, is it statistically significant? Is the data current? Could the data that you're basing it on be biased?

Expose

Make the data, your assumptions and your reasoning visible to others. Say *"Here's my view and how I arrived at it. Can you spot any gaps?"* It's not about who has the idea, but creating the best idea in a safe, collaborative environment. One where everyone can share their thinking. Allow the data to flow, identify flaws in the current plan, and create a stronger idea together.

Inquire

If someone disagrees with you, learn how to inquire into their views. Ask why they have that position. Maybe they know something that you don't. Like a captain with a periscope, you will have a longer reaching vision, but your ground crew will know more about how to make it work.

Pitfalls of evidence-based management

If doctors practiced medicine the way many companies practice management, there would be far more sick and dead patients, and many more doctors would be in jail. This is because medicine, unlike business, has a long and proven history of relying on evidence to make decisions.

Despite the hyperbole around big data - *it's the new oil, haven't you heard?* - the rise of data analytics and more, many decisions inside organisations are made on anything but evidence.

Instead, decisions are based on:

- Hope
- Fear
- What others seem to be doing
- What senior leaders have done before and believe has worked in the past
- Dearly held ideologies

This doesn't seem very empirical, does it?

According to Stanford Professors, Pfeffer and Sutton, these are the top three poor decision-making practices:

1. Casual benchmarking
2. Doing what worked in the past
3. Following deeply held, yet unexamined ideologies

Dangerously, these *feel* like evidence-based management techniques. Let's review each of these traps, as well as tips to avoid them.

Casual benchmarking

Benchmarking can be an incredibly powerful tool. Any single performance is largely measured against others for context. If we had never timed anyone run the 100-metre sprint, we wouldn't have context for Usain Bolt's elite performance.

The problem lies in how "casually" this is typically done. The logic behind what works for top performers, why it works, and what will work elsewhere, is barely unravelled. This results in mindless imitation. If you were to observe Bolt was wearing Nike shoes, had short-cropped hair, and started his day with yoga and a granola bar, simply imitating this would not see your own running performance increase.

Yet this is the approach companies often take.

When United Airlines decided in 1994 to compete with Southwest in the intra-California market-place, the company tried to imitate Southwest. United put its gate staff and flight attendants in casual clothes. It flew only Boeing 737's. It renamed the service ("Shuttle by United"). It stopped serving food and increased the frequency of the flights.

Unfortunately the benchmarking done here had little effect on performance. "Shuttle" was ultimately shut-down, a dismal failure.

Similar imitation attempts have been done by numerous auto manufacturers, trying to 'lift and shift' the production capabilities of Toyota. Despite decades trying to replicate their Lean methods, most still lag behind Toyota in productivity.

Copycat activities can easily arise within software companies, too.

Sam, Product Manager for *PetSmart*, was called into a meeting with a group of executives. The group was facing lagging sales, and wanted to review the competition.

Executive A: "Our competitor has a 4-tier pricing strategy, whilst we only offer individual modules."

Executive B: "Tiered pricing has been best practice for a while now. Just look at what Atlassian has done, and they are a $40B+ company."

Executive C: "I think it's clear we need to change our pricing model."

This kind of gut-based decision making will be all too familiar to software professionals. It stems from a psychological bias known as **availability heuristic**. This is when readily available information is given more weight, simply because it was easier to find. Little additional thought or research is often done into what *complementary* activities those companies perform or how they approach sales.

Here are some other possible reasons for the competitors' success that don't relate to pricing models and features:

- Building additional trust in the sales pipeline by running consulting workshops.
- Creating valuable content marketing and industry-based certifications.
- Strong SEO and SRM activities.
- Referral programmes and loyalty discounts.
- Amazing customer success that drives NPS.

Simply changing the licensing model is not going to drive results at *PetSmart.*

The root cause for the ineffectiveness of casual benchmarking is that performance is often akin to an iceberg. In their haste to copy, companies and consultants are only taking into consideration activities at the surface level (the visible tip of the iceberg). The most important activities - strategies and thinking - are being done below the surface.

Many activities are simply copied without asking the *why* behind these activities, and how they might drive performance. It is often the *thinking* behind the actions that is driving results. Both SouthWest and Toyota had deeply held management philosophies. These total quality management systems and KPIs around continuous improvement pervaded throughout their entire organisations. It guided not just current activities, but decisions around future activities also. The ability to make these same future decisions was lacking by imitators.

Strategies are often ‘lifted and shifted’ from completely different markets, categories and segments. The start-up culture is drowning in founders pitching their idea as the next “Uber for X” or “Airbnb for Y”. Desperate for innovation, established companies will also chase this fool’s gold, attempting to establish the next ‘App Store’ or customer destination portal, with very little evidence being required to spur them on.

Tip: Don’t benchmark what others ***do***, benchmark how they ***think.***

Before you copy others, ask yourself:

- Is the success you observe by the benchmarking target attributable to the practice you seek to copy?
    - Sam could ask if PetSmart's competitor was truly winning due to a tiered pricing structure, or something else.
- Why is that particular practice linked to performance improvement? What is the logic? If you can't explain the underlying logic or theory of why something should enhance performance, you are likely engaging in superstitious learning and may be copying something that is irrelevant or even damaging.
- What are the downsides and disadvantages to implementing the practice, even if it is a good idea? Are there ways of mitigating these problems, perhaps ways your target uses that you aren't seeing?

Doing what worked in the past

How many times has a new executive joined your company, only to start rolling out things they did at their last company? This is particularly pervasive for activities like sales commission, performance reviews, KPI design and time tracking. These 'feel' like generic problems that can be solved with generic solutions. These same templates seem to roll around every season like the flu.

This is something you would hope to never see in medicine.

Imagine walking into a routine medical check-up, and after little examination, the doctor declares they are going to take out your appendix. When you question their diagnosis, they reply confidently, *"I took out the appendix of my last patient and that worked out well."*

The cure needs to be tailored to the problem; not applied universally.

Yet, as humans, we need these mental shortcuts. We need to learn from past mistakes and successes, to avoid making them again in future or wasting time reinventing the wheel. So how can we balance our need to leverage past knowledge and mistakes, whilst avoiding ill-fitting solutions?

Before you use what worked in the past, ask yourself:

- Are you sure that the practice that you are about to repeat is associated with the past success? Correlation does not equal causation; the previous activity may not have been the reason.
- Is this new situation - the business, the technology, the customers, the business model, the competitive environment - so similar to past situations that what worked in the past will work in the new setting?
- Why do you think the past practice you intend to use again has been effective? If you cannot unpack the logic of why things have worked, it is unlikely you will be able to determine whether or not they will work this time.

Following deeply held, yet unexamined ideologies

When people are overly influenced by deeply held ideologies or beliefs - causing their organisation to adopt some management practice, not because it is based on sound logic or hard facts, but because managers "believe" it works, or it matches their (sometimes flawed) assumptions about what propels people and organisations to be successful.

There are many examples of ‘common business sense’ that have little statistical evidence, yet remain central to company strategies and decisions.

Stock options for executives to increase performance

The use (and defence) of stock options as a compensation strategy is a great example of belief trumping evidence, to the detriment of organisations. In the early years of the new millennium, there was an unprecedented wave of corporate bankruptcies and financial scandals. Senior executives lied about their company’s performance, even as they sold stock and left pension funds and other investors holding worthless paper. Experts and evidence now place a large part of the blame for financial scandals on the excessive use of stock options and stock-based compensation.

At the very least, options tended to promote short-term focus. And at worst, they promoted fraudulent activity to manipulate earnings.

– Carol Bowie
Director at Investor Research Centre

A review of 220 studies concluded that equity ownership had no consistent effects on financial performance. Another massive study by the National Bureau of Economic Research reported most schemes designed to align managerial and shareholder expectations failed to do so; instead, operating as devices to enrich senior management.

Yet executives, particularly those in the technology space, remain unconvinced. They wax lyrical about how it encourages people to put in more hours, promotes frugal spending and a sense of ownership. Of course, they look at this all very objectively…

First-mover advantage

It's better to be first than it is to be better.

- Al Ries
The 22 Immutable Laws of Marketing

Existing empirical evidence is actually unclear as to whether first-mover advantage is real. Many "success stories" purported to support the first-mover advantage turn out to be false. Amazon was not the first online bookstore. The iPod was not the first MP3 player. Google was not the first search engine.

In fact, for new products and segments, first movers do a lot of the heavy lifting to convince such a market is legitimate. They battle through the innovator and early adopter phases, only to have later entrants swoop in and steal the market.

Given the nuances, complexity and evidence to the contrary, why then does the legend of the ‘first-mover advantage’ continue to be so compelling?

The answer is because it would please us if it were true.

From a very young age, we are taught that coming in at first place is the best. That someone should be rewarded for their original ideas. Thus, it is more than just intuitive that this concept be correct, but something deeper.

Such beliefs rooted in ideology or in cultural values are "sticky". They resist disconfirming evidence and persist in affecting judgements and choices, regardless of whether or not they are true.

To counteract this phenomenon, ask yourself:

- "Is my preference for a particular management practice solely or mostly because it fits with my intuitions about people and organisations?"
- "Am I requiring the same level of proof and the same amount of data, regardless of whether or not the issue is one I believe in?"
- "And, most importantly, are my colleagues and I allowing our beliefs to cloud our willingness to gather and consider data that may be pertinent to our choices?"

Building emotional intelligence

There has been a lot of hype and buzz around emotional intelligence (EQ) in the past few years. A strong correlation between EQ and job performance has been detailed by a recent study published in the Journal of Applied Psychology (a meta-study of 36 separate pieces of research covering 2,168 adults).

Key traits of emotionally intelligent people

Businesses recognise EQ too. According to research by recruitment firm, Robert Half U.K., 60% of employers report it as a very important skill for their employees to have (Higginbottom, 2018). There are seven key traits that are linked to strong job performance (Bailey, 2015).

1. Emotional stability

Emotionally stable individuals are better able to manage their own emotions and have a higher tolerance for stress, making them more able to keep a cool head in stressful situations and avoid toxic conflict. Emotional stability is the most important predictor of EQ, accounting for 29.5% of the variance, alone.

2. Conscientiousness

Conscientious individuals have good impulse control and strive to achieve their goals. They're dutiful and seek excellence, and this extends to social situations too – they "exert extra effort in adhering to emotion-related norms", meaning that they develop superior emotional ability.

3. Extroversion

Extroverts have an underlying desire for social contact and relationships, so it makes sense that in order to establish extensive social networks, extraverts are likely to have developed strong emotion-related skills that help them build bonds.

4. Ability EQ

Ability EQ refers to individuals' ability to perform emotion-related behaviours, such as express emotions, empathise and reason using emotions.

5. Cognitive ability

Although many theories of EQ say that it's entirely separate to general cognitive ability (e.g. IQ), the results suggest that there is some crossover – because cognitive ability affects our ability to solve problems and adapt to our environment, which in turn boosts EQ and performance.

6. General self-efficacy

We all have a certain level of confidence in our ability to cope with the demands of our job. And in general, we all want to behave in a way that's consistent with our view of ourselves. So, people with high self-efficacy are more likely to have developed the social skills needed to maintain this positive self-image, while those who believe in themselves less may shy away from social relationships because doing so is consistent with their self-view.

7. Self-rated job performance

Several of the questions used to measure EQ also seem to tap into people's view of their own performance levels (e.g. "I perform well in teams"). It's no surprise that EQ is then related to actual job performance, if job performance was one of the factors used to conceptualise EQ in the first place.

The elements of EQ

EQ is a framework that talks about these four elements:

- Self-awareness
- Self-management
- Social awareness
- Relationship management

There are two axes to look at these through:

- Internal vs. external
- "What I see" vs. "what I do"

Emotional Intelligence	"What I See"	"What I Do"
Internal	**Self-Awareness**	**Self-Management**
External	**Social Awareness**	**Relationship Management**

So now we know what emotional intelligence is, how can we build our emotional intelligence? Here are three quick ways to improve yours.

1. Create space through labelling emotions

Imagine you're driving and someone cuts you up - that's the stimulus. Your first instinct may be to respond with road-rage. Is that really the best response you could have?

There's actually a small gap between stimulus and response. What we want to do is increase that space. You can do that in a few ways; practising mindfulness, meditation and labelling your emotions.

Labelling your emotions just means simply stating, in a little voice in your head, *"I'm feeling anger"*, or *"I'm feeling insulted"*.

This will trigger a different part of the brain, which distracts you briefly from the emotional response. That brief pause gives you the space and the chance to think. This space then allows you to mentally navigate the two axes above; how you're feeling and how you'll react.

2. Keep it 50/50

EQ is about personal and social awareness, which means you need to balance your talking and asking. When your mouth is open, you're not learning anything.

Next time you're in any conversation, just think to yourself:

"Am I doing more than 50% of the talking?"

Many extroverts would benefit from dialling back how much they speak, by either being quiet or asking open-ended questions.

For introverts, particularly when dealing with extroverts, you need to be a stronger advocate for your own views. This can be done by creating space in the process up front, for example, by suggesting that the conversation goes around the table, to ensure everyone gets to discuss their view. Alternatively, you can try to signal that you need the space to talk (*"I need the space to properly respond. Can you please give me more time and I'll get back to you?"*).

3. Reflection

Both self-reflection and peer evaluation are useful tools for building EQ.

Self-reflection is particularly good at analysing and reflecting on behaviours displayed. Listing the facts surrounding the events - what you did, what other parties did, and the events that led to those behaviours. You can then engage in thought experiments about what other ways events could have unfolded, or what you would do differently next time.

Peer evaluation is a great way to get a 360-degree view of how you are perceived by others. Given an element of EQ is social awareness, getting this inside view of how people think and feel is invaluable to then calibrate your own social compass.

I asked a colleague to evaluate me and to highlight my top three strengths and three areas to improve on (rated 1-5).

I received a number of 5's, which I was happy with. I also got a number of 3's.

My gut reaction was to defend myself and say, "hey, I'm actually pretty good at those!" However, I took a step back, I made the space and acknowledged this is how someone else perceives me (rightly or wrongly). This feedback let me know that I need to either work on my ability in these areas, or on the *perceptions* others have of me in these areas.

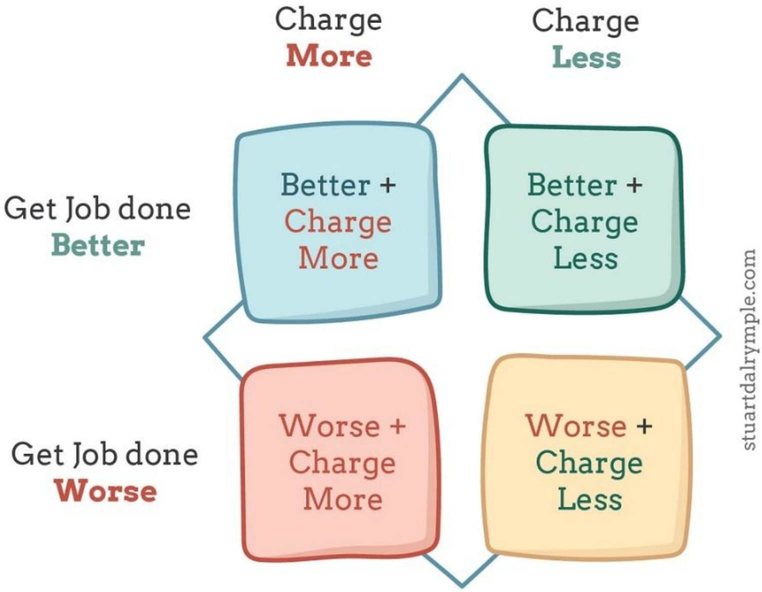
Increasingly, job advertisements for Product Managers require leadership, team building, emotional intelligence and empathy. By developing not just your prioritisation frameworks, but your emotional frameworks and mental models, you'll be more effective and more sought after.

Appendix

This section contains the various business frameworks used throughout the book. There are also credits to the original authors so you can follow up with further reading.

Consider this your handy reference guide!

Jobs-to-be-done matrix



Source: Ulwick, A. (2016)
Read more @ https://jobs-to-be-done.com/

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Levels of Fit

Source: Porter, M. (1996)
Read more @ What is strategy? Harvard Business Review, (Nov-Dec 1996)

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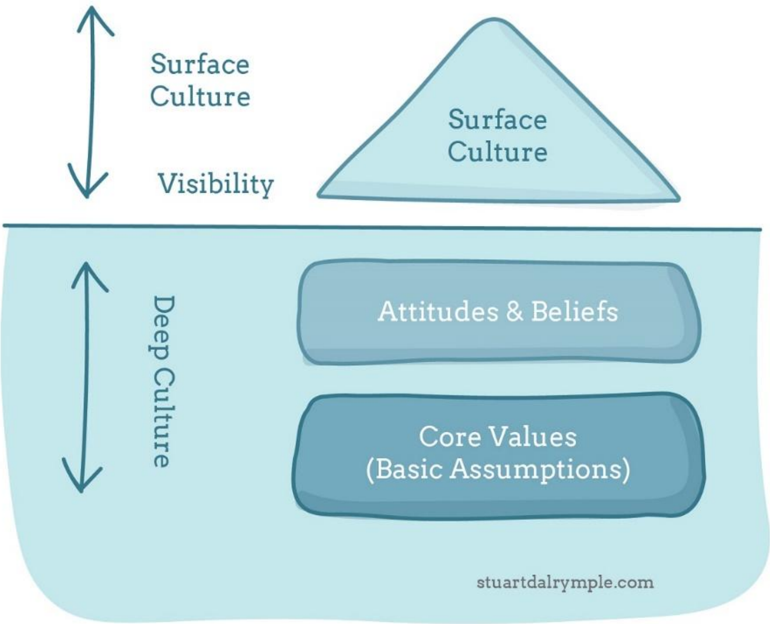
Cultural Iceberg Model



Source: Hall , M. (1976)
Read more @ Beyond Culture (1976) by Edward T. Hall

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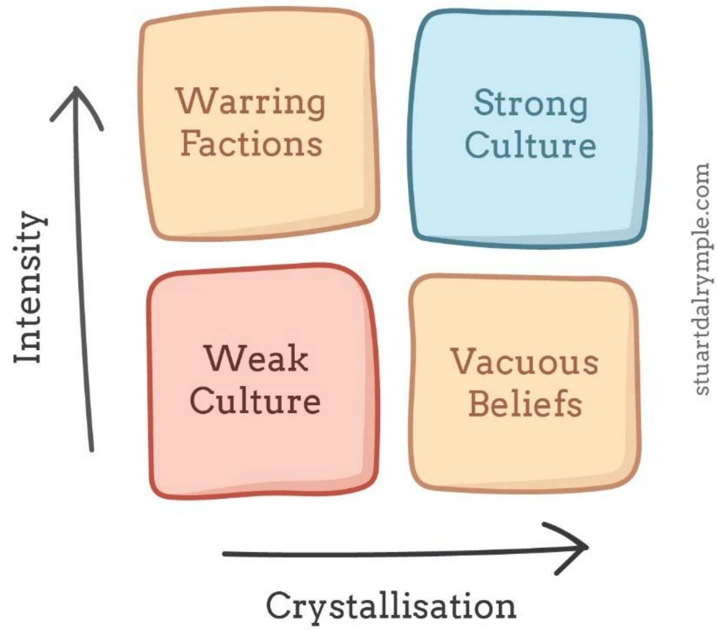
Culture Strength Matrix

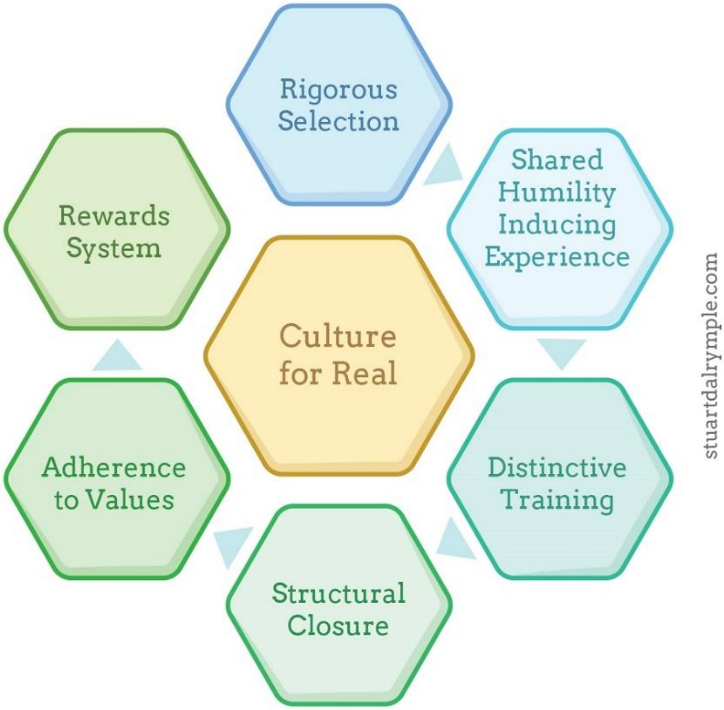


Source: Overbeck (2016)
Read more:
@ Twitter: https://twitter.com/drjenoverbeck &
@ Google Scholar:
https://scholar.google.com.au/citations?user=bz162vYAAAAJ&hl=en
stuartdalrymple.com

Go To Market Framework + Culture

Source: Adapted from O’Sullivan (2016)
Read more:
@ LinkedIn:
https://www.linkedin.com/in/don-o-sullivan-31079124
@Research Gate:
https://www.researchgate.net/profile/Don_Osullivan
stuartdalrymple.com

Culture For Real



Source: Overbeck (2016)
Read more:
@ Twitter: https://twitter.com/drjenoverbeck &
@ Google Scholar:
https://scholar.google.com.au/citations?user=bz162vYAAAAJ&hl=en

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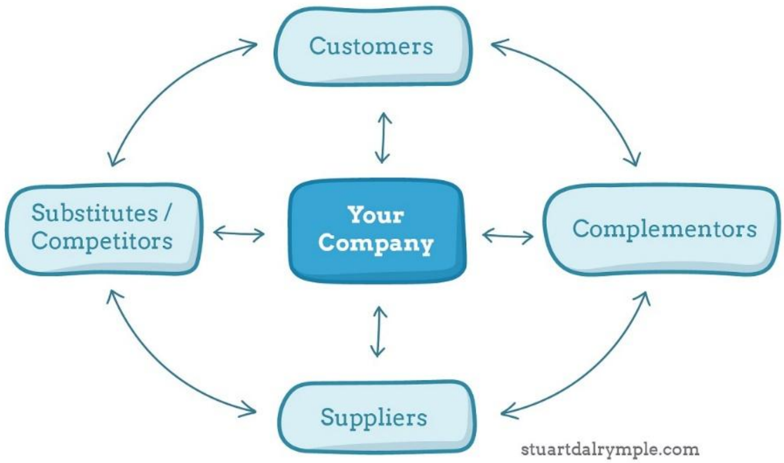
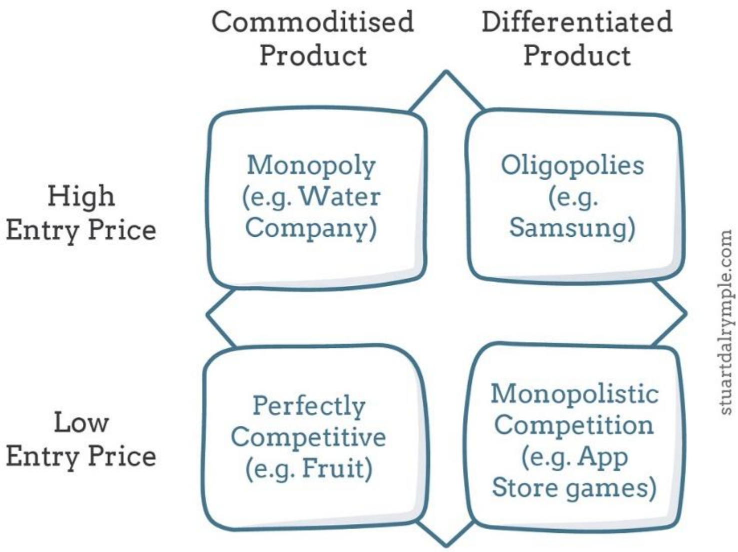
Value Net



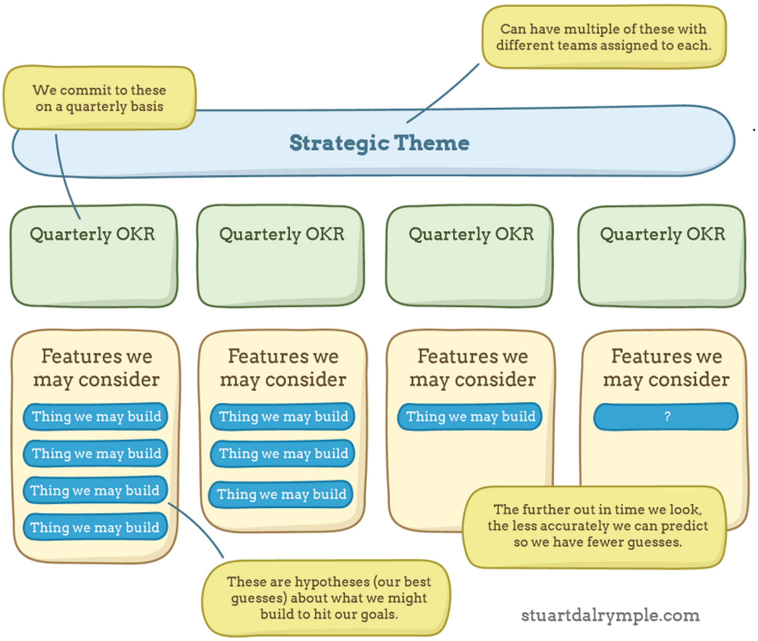
Source: Overbeck (2016)
Read more:
@ Twitter: https://twitter.com/drjenoverbeck &
@ Google Scholar:
https://scholar.google.com.au/citations?user=bz162vYAAAAJ&hl=en

Jobs-to-be-done for Market Types



Adapted by: Dalrymple, S (2020)
Original: Ulwick, A. (2016)
Read more @ https://jobs-to-be-done.com/

Agile Roadmap



Source: Gothelf, J (2019)
Read more @ [*What does an agile product roadmap look like?*]() *– Jeff Gothelf*

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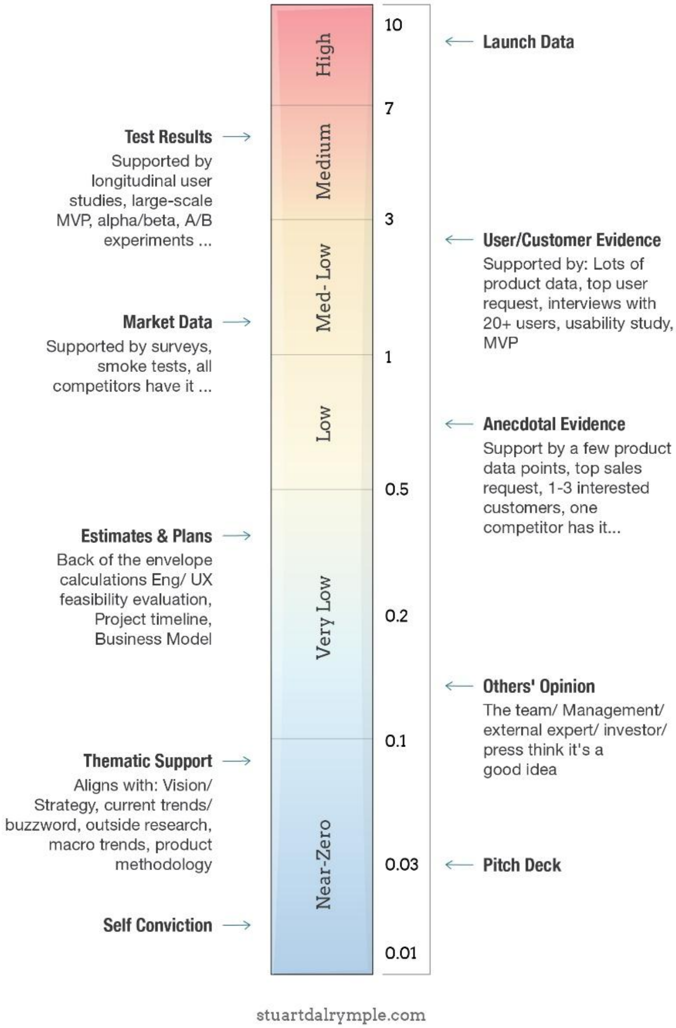
Confidence Model



Source: Gilad, 2019
Read more @ *The Tool that Will Help You Choose Better Product Ideas* – *Gilad*

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Template: Feature-On-A-Page

Use this one-page template to share and compare various features, so your team can better understand the opportunities and select the most appropriate next piece of work.

Grab a copy of this template for yourself at: [*http://bit.ly/369Im3P*](http://bit.ly/369Im3P)

The Mission	*Who + Current Behaviour + Future Behaviour + Benefits to User + Benefits to Business*
Alignment	*How does this align to OKR / BHAGS*
Key data points	**Key insights**
Quantitative data	*Voice of the Customer*
Hypothesis	*By doing Z, we will change behaviour from X to Y*
Pivot and proceed points	*What would you find that would encourage you to keep going? When should we stop investing?*
Keys to	*Who or what else is needed for this to change*

success	*user behaviour?*		
Assumptions to validate			
Impact *(10: high, 1: low)*		**Confidence** *(10.0: high, 0.1: low)*	
Ease of Implementation *(Inverse of estimate, e.g. 1 week → 10, 10+ weeks → 1)*		**ICE Score** *I x C x E*	
What next?	*Actions to increase confidence or validate assumptions*		

Credit for the concept goes to Cutler, J. (2018). Great One-Pagers. [online] Medium. Available at: https://medium.com/@johnpcutler/great-one-pagers-592ebbaf80ec [Accessed 8 Jan. 2019]. Check out his blog for more information.

Template: Negotiations Planning

Use this one-page template to prepare for any upcoming negotiations. You'll be far more effective by being clear on what you're going to ask for and what you're willing to concede.

Goals *What do you want from the other party?*	
Tangibles:	Intangibles:
Strategy *Collaborate or Compete?* *How important is it that you hit your goal(s)?* *How important is the relationship with the other party to you?*	

Economic Contract		*You*		*Other Party*	
Issue	*Priority*	*Resistance Point*	*Target Point*	*Resistance Point*	*Target Point*

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Social Contract

Underlying:

- *What is the nature and purpose of this agreement?*
- *Is it short-term or long-term?*
- *Is it a series of discrete transactions (e.g. vendor-client) or a problem-solving partnership?*
- *What decisions will each party make?*

Ongoing:

- *How we will we work together?*
- *What formal and informal communication channels will be used?*
- *What is the expected scope of communications? What is expected to be discussed, and what isn't?*
- *How will we resolve disputes?*

Understanding the other party

- What would they do if there was no deal with you? This is their BATNA.
- How will they sell this deal to their own boss and make them look good?
- How could you solve their problem as a means of solving yours?
- Can you trust the other party? Does the other party trust you?
  -What signals could you send early on to establish this trust? Once trust is broken, it is almost impossible to repair during negotiations.
  -What do you know about the other party's style and tactics? (i.e., accommodation, collaboration, or competition)
  -What are the limits to the other party's authority?
  -Don't concede all your hand, particularly if you're not sure you're dealing with the decision marker. If they have to go back to their boss to get sign-off and come back with more requests, you'll have nothing left.

Situation

What deadlines exist? Who is more impatient?
Whoever feels a greater sense of urgency will make greater concessions.

What fairness norms (i.e., equity, equality or need-based), frames, or reference points apply? *Most negotiations involve a discussion on what might constitute a "fair deal."*

Will negotiations be repetitive?
If so, what are the future consequences of each strategy, tactic, or action?

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