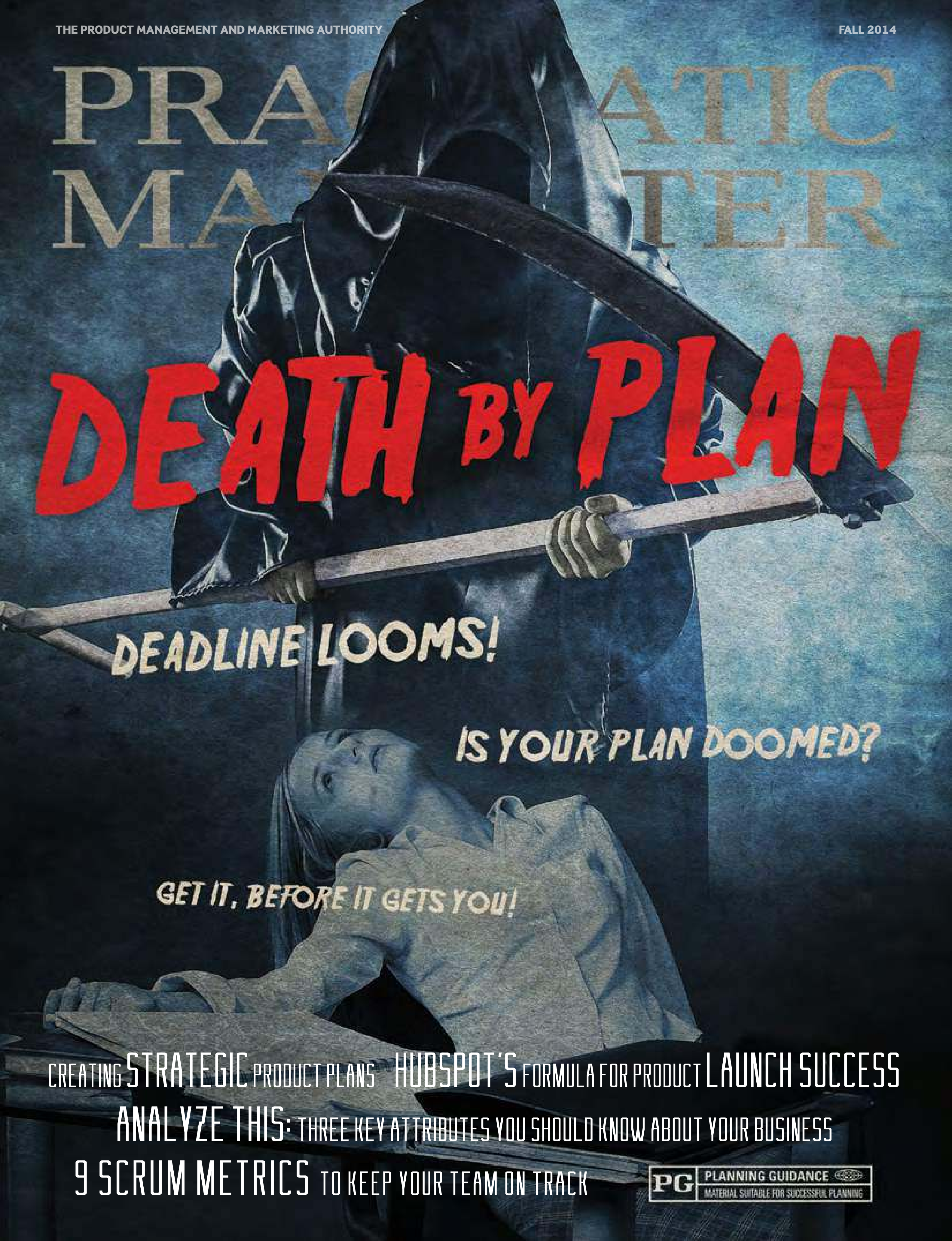
THE PRODUCT MANAGEMENT AND MARKETING AUTHORITY

FALL 2014

PRAGMATIC MARKETER



CREATING STRATEGIC PRODUCT PLANS

HUBSPOT'S FORMULA FOR PRODUCT LAUNCH SUCCESS

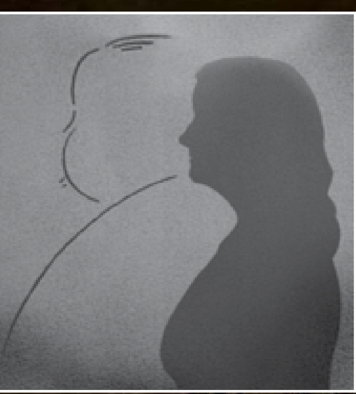
ANALYZE THIS: THREE KEY ATTRIBUTES YOU SHOULD KNOW ABOUT YOUR BUSINESS

9 SCRUM METRICS TO KEEP YOUR TEAM ON TRACK

PLANNING ISSUE

WE ALL KNOW THE FEELING. The creeping sense of doom that our project is falling apart. The growing horror as we watch it unravel despite all our best laid plans. The moment of terror when we realize it's well and truly dead.

All of us—whether we make launch plans or business plans, product plans or go-to-market-plans—have at least one skeleton in our closet. And it was most likely put there by one of these plan killers: poor alignment wtih corporate strategy, bad metrics or lack of understanding of the market.



Fortunately, this issue of *Pragmatic Marketer* provides practical tools and tips for addressing all three.

First, Bill Thomson walks us through creating a strategic product plan. Robert Boyd and our own Jon Gatrell talk about key metrics—how to measure everything from overall organizational strength to individual sprints. And finally, weaving it all together, is a real-life look at how Hubspot ensures its product launch plans succeed.

There are boneyards full of good ideas that collapse during planning and execution. In this issue we help ensure your project isn't one of them.

Happy reading,

Rebecca Kalogeris
Editorial Director

PRAGMATIC MARKETER

THE PRODUCT MANAGEMENT AND MARKETING AUTHORITY

FOUNDER/CEO
Craig Stull

PRESIDENT
Jim Foxworthy

EDITORIAL DIRECTOR
Rebecca Kalogeris

EDITOR
Lisa Sorg-Friedman

DESIGNER
Norman Wong

SPECIAL PROJECTS
Sarah Mitchell

Pragmatic Marketer™
8910 E. Raintree Drive, Scottsdale, AZ 85260

Interested in contributing an article?
PragmaticMarketing.com/submit

ISSN 1938-9752 (Print) ISSN 1938-9760 (Online)

PRAGMATIC MARKETING

Since 1993, Pragmatic Marketing has conducted product management and marketing training for 8,000 companies on 6 continents. Our team of thought leaders produce blogs, webinars, podcasts and publications that product professionals around the world turn to for industry insights.

FEATURES

DEPARTMENTS

Sign up for your free *Pragmatic Marketer* subscription, delivered quarterly via email, at pragmaticmarketing.com/subscribe.

Share this issue >

10 COMMON PROJECT MANAGEMENT MISTAKES

BY CHRISTOPHER SCORDO

To err is human and, when it comes to making mistakes, project managers are no different than the rest of humanity. However, familiarizing yourself with common mistakes might help prevent a project disaster. Here are 10 common mistakes that could put the success of your project at risk.

1 Mismanaging team member skill sets. Team resources are crucial and matching them to the right work is critical for project success. Good leaders know how to get the optimal results out of the people working for them. They know how to best match team members' skills and abilities with the task at hand. For example, it's not enough to know that you have three web developers on your team who are jacks of all trades. Knowing their strengths and weaknesses between database development, business layer coding or user interface scripting allows you to optimize your team's abilities.

5 Ego problems. It's dangerous to take an approach of "my way or the highway." This attitude often results in the reluctance of team members to provide valuable feedback. Not only does it over-value the project leader role, but it cultivates poor team morale and implies condescension.

6 Underestimating project effort. Remain realistic about what the project requires so that you prevent problems further down the line. If you hesitate to accurately reflect the effort involved with requirements, it can become problematic because the burden will fall on team members to ensure work is performed faster or cheaper.

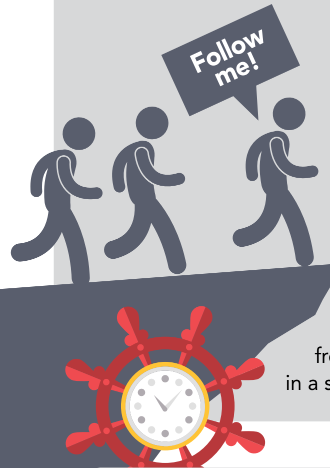
7 Letting small issues evolve into big problems. Many projects fail because small issues turn into huge problems, causing distrust between the client and project team. Whether a team member misunderstands a requirement that results in additional work, or you discover a budgeting error, tackle the issue as soon as it rears its head.

8 Not knowing when to ask for help. If you're stuck, ask for help. Start by asking your team if you need technical or subject matter expertise. If you need assistance managing your client or project, reach out to a colleague or upper management. Be honest and positive with your request and others will respect your ability to ask for help. Acting arrogant and failing to ask for help can put a project at serious risk.

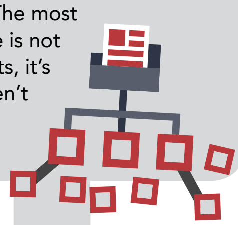
9 Saying "yes" to everything. Remain flexible and visibly eager to assist, but don't say "yes" to every request. It's a bad habit that can lead to projects that spiral out of scope and overworked team members. It's important to know when enough is enough and how to diplomatically reject requests that don't allow for more time (or budget).

10 Ignoring team mistakes. Mistakes happen, but it's up to you to spot those mistakes and immediately deal with them in a diplomatic, positive fashion. If something affects your client, explain how you plan to fix the mistake and how you will prevent any future repetitions. Failure to address team mistakes will poison a project and result in a culture where quality isn't a priority.

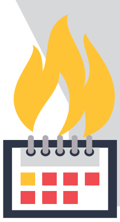
2 **Putting an inexperienced manager in charge.** Taking charge of a project is hard. It's even harder if the person in charge doesn't have enough experience. For highly visible projects, projects with complex activities or those with more than 10 team members, it's best to have someone experienced in everything from status meetings to managing risks and expectations. Don't compromise on project management experience when it comes to critical project activities. If the project is a complex web development activity, don't assign someone with zero technical experience. In theory, a competent leader should have the ability to execute across subject matters. In reality, successful leaders frequently have backgrounds in a specific expertise.



3 **Mismanaging project scope.** Scope isn't always set in stone and may require compromise. There should be a process to handle requests that change scope. It's important to know exactly how the request will impact everything from budget to schedule and whether the request can be accommodated. The most common issue in managing scope is not accepting unplanned requirements, it's when those new requirements aren't accurately communicated via the project schedule and budget.



4 **Poor scheduling.** Schedules are there for a reason. They help the project stay on course and are a crucial measure of success. It's important to run a tight ship when it comes to scheduling. Ensure all stakeholders are aware of the timeline and any changes that occur. A common surprise that causes issues is when a client is unaware of scheduled deadlines. Make sure the schedule is always front and center.



Success is your highest priority. However, in an effort to achieve that success, you may make well-intentioned decisions that don't result in a well-run project or happy team members. Although mistakes will happen, being aware of the most common errors can help you nip them in the bud before they derail your project.

About the Author

Christopher Scordo, PMP, ITIL, is a published author and the managing director of PMTraining. Visit www.PMTraining.com for the latest on PMP exam prep, live online classes and self-paced PMP courseware.

UPS & DOWNS (& acrosses) of PROJECT PLANNING

Down

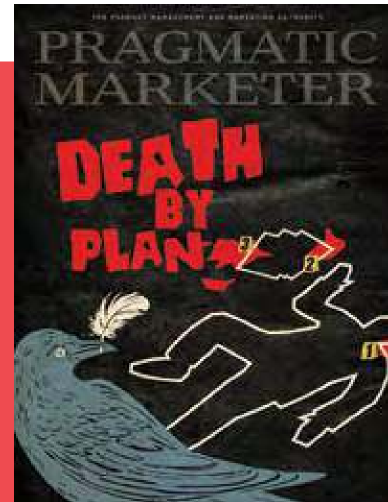
1. The ______________ of mice and men often go awry
2. Used to illustrate a project schedule
4. Every good launch team should have one
6. Charts work left versus time
10. Nothing important happens in the office
14. A more dramatic word for due date
15. You can't manage what you don't ______________

Across

3. Modern father of servant leadership
5. A document containing a call for an adjustment to a project or system
7. What your opinion is
8. This director was for the birds
9. Certification of project management expertise
11. Maggie Hibma's employer
12. Brief; terse; compact
13. A scheduled event for which some individual is accountable; used to measure progress
16. Uncontrolled changes or continuous growth in a project's purview
17. A shortcut for most math calculations on a spreadsheet
18. The steps one must follow to complete the project

Stumped? Find the answers at pragmaticmarketing.com/crossword.

Final Cover Design



Alternate Designs

W e're proud of everything in the *Pragmatic Marketer.* And judging by the reactions of our readers—and the awards given to us by the publishing industry—we should be.

But, we're also proud of what doesn't get into the magazine, the items left on the cutting room floor. That's why in this issue, we're sharing some of the great cover designs that didn't make it to press.

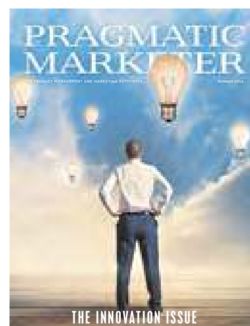
Check out our alternative covers and then let us know: Did we make the right choice? Send your case for one of the alternative designs to coverart@pragmaticmarketing.com. The most compelling case received by December 19, 2014 will receive a $100 Amazon gift card.

APEX AWARD FINALIST
2014
BEST MAGAZINE
REDESIGN

FOLIO: EDDIE & OZZIE AWARD
HONORABLE MENTION
2013 BEST MAGAZINE
REDESIGN

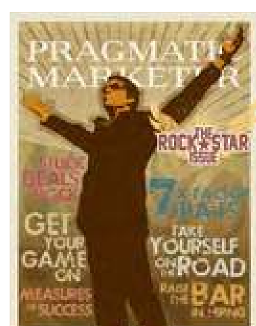
MIN SILVER AWARD
2013
BEST MAGAZINE
REDESIGN

ASBPE AWARD FINALIST
2013 BEST FEATURE
SECTION:
INNOVATION



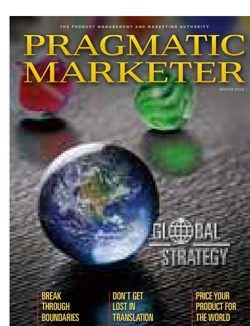
Final Cover Design

Alternate Design



Final Cover Design

Alternate Design



Final Cover Design

Alternate Design

Miss an issue?
Get past issues of *Pragmatic Marketer* at pragmaticmarketing.com/magazine. And make sure you don't miss any more by subscribing at pragmaticmarketing.com/subscribe.

Ask the Experts:

How do I create an effective cross functional launch team?

CROSS FUNCTIONAL TEAMS (CFTs) can be an effective tool to expedite a launch. But if not managed correctly, they can be your worst nightmare. CFTs have two purposes. The first is to combine the widest possible range of expertise so that, hopefully, every detail is surfaced, documented and addressed. The second is to improve time to market. These may seem at odds, but CFTs accomplish both when effectively organized and managed. Here are some tips for building and managing strong CFTs.

An effective CFT has one representative from each functional area who has the ability to make commitments on behalf of that area. If the representative can't make commitments, it's a waste of everyone's time. Team members who sense their time is being wasted will stop coming to meetings. Picking the right representative for each functional area is key. Do your homework and identify the best available resources.

Dave Daniels, Instructor
Pragmatic Marketing

Avoid ambiguity by clearly defining CFT goals and expectations so the team knows what is expected of them. Even if you have experienced members from previous CFT teams, it's still critical to set expectations, including consequences if expectations aren't met. Also, make sure management understands the importance of the CFT to your organization and that their support of the team is fundamental to its success.

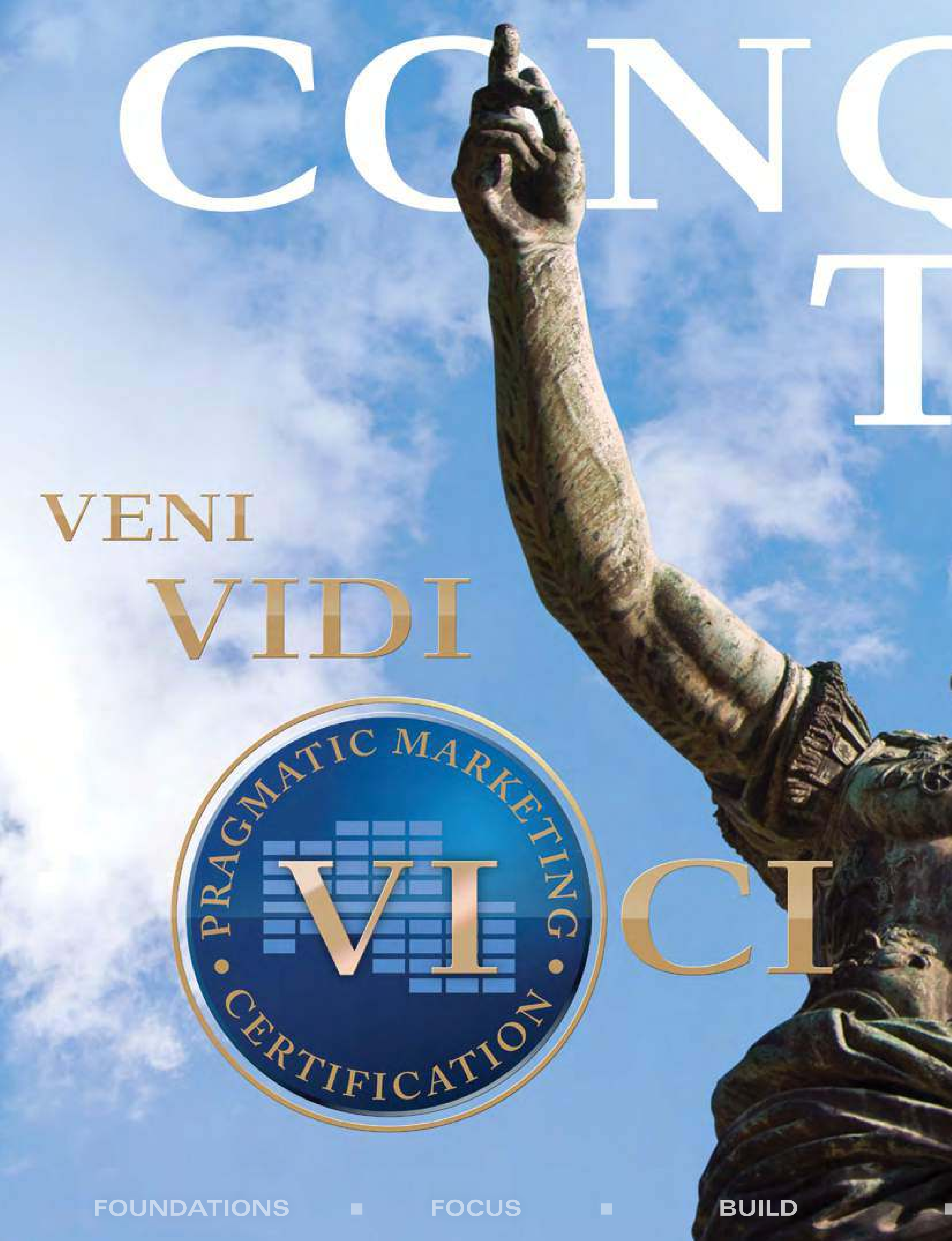
Keep CFT meetings brief. One hour is usually enough. Distribute an agenda several days before each meeting so that team members have sufficient time to prepare. It's also a good idea to increase meeting frequency as the launch nears. For example, in the planning phase you may want to meet every two weeks. In the readiness phase you may want to shift to weekly meetings, and then to daily meetings as the launch phase approaches.

It's not necessary to invite every member to every meeting, but be sure to indicate who is required to attend and who is optional. Include someone to track time and document action items, issues and decisions. This frees the leader to focus on driving the meeting. When an action item is raised, document it, assign it and set a date for completion. When an issue is identified, document it and assign it. Likewise, when a decision is made, document it.

It's your responsibility to communicate progress—good and bad. How you communicate may depend on the audience. A summary email may be all you need for communicating with the management team. But it may be helpful to call team members who aren't under your direct supervision to remind them that CFT commitments are a top priority.

By selecting the best available people for your team, setting clearly defined expectations and getting management buy-in, you'll be well on your way to creating an effective team that will expedite your launch. PM

Do you have a question for our experts? *Send us an email at experts@pragmaticmarketing.com.*


CONQ
T
VENI
VIDI
PRAGMATIC MARKETING
VI
CERTIFICATION
CI
FOUNDATIONS
FOCUS
BUILD


QUER
THEM
ALL.
Pragmatic Marketing now offers SIX different CERTIFICATION LEVELS that allow you to demonstrate your understanding of the Pragmatic Marketing Framework™ and the activities and skillsets required to bring it to life. Each certification coincides with one of our courses, and you have the opportunity to sit for the exam at the end of each training day.
So if you're ready to demonstrate to the world your expertise, visit pragmaticmarketing.com/certification or call 480.515.1411.
PRAGMATIC MARKETING
MARKET
LAUNCH
PRICE

CREATING STRATEGIC PRODUCT

AN EFFECTIVE PRODUCT PLAN IS DESIGNED TO ENSURE that a new product delivers business value to a specific set of customers and meets certain financial goals. It describes the market opportunity, profiles target customers, specifies pricing, identifies financial goals and indicates key priorities for development and enhancement. Finally, it provides a roadmap for delivery for at least the next four quarters.

A comprehensive market requirements document might serve as the product plan for a new product. But the product plan should be updated annually for each product that continues to be offered to customers. Successive plans should focus on increasing that product's effectiveness.

Product management creates a list of potential enhancements for the plan by soliciting customer feedback, speaking with sales teams, obtaining a list of the top technical support issues, surveying competitor features and getting new ideas from the market. After that, project prioritization typically occurs due to limited development resources.

Many companies apply an arbitrary prioritization scheme based on the perceived number of times a feature or product has been requested or how much revenue they think it can generate. The product team may also make assumptions about value based on how it thinks the product should be used. The team then creates a roadmap and release schedule using these priorities and voila, the product plan is done, right?

No, the product plan isn't complete because the company's strategy hasn't yet been considered. So far, it's merely a reaction to a somewhat random set of market facts and events. How exactly does the corporate strategy relate to the roadmap? The goal of almost any technology company is to increase revenues. Without a strategy to indicate how the company plans to increase revenue, almost any product plan could arguably help the company achieve its goal. But if the corporate strategy specifies *how* to generate new revenue, you can develop a product plan tailored to supporting that strategy.

For instance, your company could plan to grow revenue in a number of ways: by selling the flagship product in new geographic regions; establishing a new reseller channel; enhancing existing products to appeal to a wider base of customers; or developing new products that appeal to the existing customer base. Each decision carries significant implications for the product plan.

Selling in new geographic regions requires local language support and other specific regional requirements. Selling through a reseller channel requires multi-tier administration and branding. Enhancing products to appeal to a wider customer base involves profiling new customers to understand their unique needs and requirements. And finally, developing new products requires new analysis, requirements, design and development work.

Each strategy results in a different prioritization of projects and a different allocation of resources. The previously created product plan is reactionary and haphazard, while the product plan that responds to corporate strategy is directed and intentional.

PLANS

BY BILL THOMSON

THE STRATEGIC PLANNING PROCESS

So let's take a look at what an end-to-end product planning cycle might look like when integrated with the company's strategic planning cycle. If a company resets its corporate strategy, financial plans and product plans once per year, the planning process ideally occurs during the fiscal year's third and fourth quarters in preparation for the upcoming year.

There are five basic steps in the planning process:

1. Market review
2. Financial review
3. Corporate strategy
4. Product strategy
5. Product roadmap and release schedules

First, the product team presents a **market review** to executive management, sharing facts on market trends and opportunities, key customer needs, and competitor moves and positions. Although the product group keeps tabs on many of these items throughout the year, this is the opportunity to update information to ensure it's complete and current. Other functions may be invited to provide their perspectives on the market and customers as well.

During the **financial review**, the finance organization presents results on the financial performance for the overall company, each sales channel and each product. Providing revenue and profitability by product is critical to making sound product decisions and developing effective strategies.

THE PRODUCT PLAN THAT RESPONDS TO CORPORATE STRATEGY IS DIRECTED AND INTENTIONAL.

Next, the executive team outlines its **corporate strategy**, focusing on vision, financial goals and a plan to achieve those goals. The corporate strategy should be explicitly presented to the product management team to facilitate development of a product strategy.

The product team then develops its **product strategy** taking into account market dynamics, customer needs, financial goals and corporate strategy. It specifies the product changes that are needed and indicates the financial plan for each product area. Before proceeding to the next step, the executive team should review the product strategy to ensure alignment with the corporate strategy.

The final step involves developing a **product roadmap** and more detailed release plans for the coming quarters that are consistent with the product strategy. This roadmap becomes the official "product plan of record" and should be managed with formal change control procedures. This step is executed at the conclusion of the annual planning cycle and is repeated every three or four months—pending executive management approval—to respond to changing market conditions and deployment schedules.

The success of a product or services technology company is determined by the success of its products. Effective product plans address market and customer needs and support the company's growth strategy. Creating effective product plans can only be accomplished if there is strong communication between the product and executive teams. The product team must clearly understand the company's objectives in order to create product strategies and roadmaps that achieve them. PM

ABOUT THE AUTHOR

Bill Thomson is a consultant and expert in strategic product planning based in Fort Lauderdale, Fla. He has 25 years of experience conceiving, developing and successfully growing high-tech products and services and has more than 12 years in product management leadership at companies including AT&T, Citrix, Adir Technologies and NTT/Verio. Contact Bill at bill@thomsons.us.

THREE KEY ATTRIBUTES YOU SHOULD KNOW ABOUT YOUR BUSINESS

BY JON GATRELL

Your business plan is your path forward. But to create a comprehensive business plan, you first must understand your business and the way your products fit into that business. Simply put, if you don't know how operations, sales or any other area is performing, how can you make plans to improve?

The great thing about the systems and methods used in modern marketing is that most are measurable. But that doesn't mean you want to measure everything. It's important to focus on the analytics that inform the business about where you are relative to corporate-wide goals, as well as your given portfolio mix and its contribution to the business. Reviewing these analytics helps you figure out what's next.

Of course, it's one thing to know your numbers; it's another to understand those numbers in context. You must understand where to invest based not just on analysts' stories and high-level trends, but also on the effectiveness of products in the market and the historical return on their efforts.

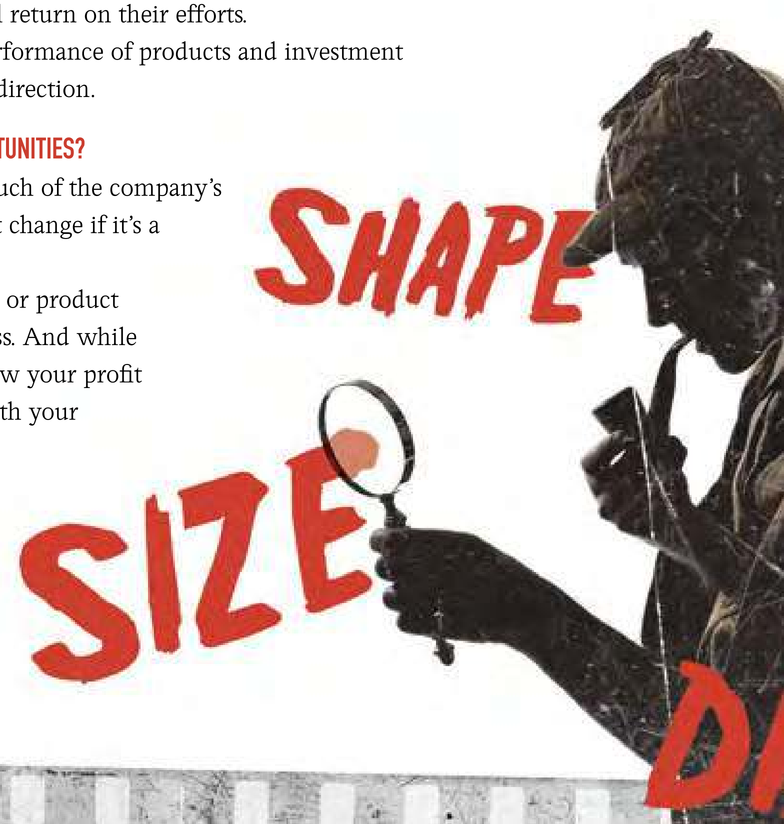
To keep it simple, ask your teams to describe the performance of products and investment opportunities by addressing three items: size, shape and direction.

SIZE: HOW LARGE IS THE OPPORTUNITY RELATIVE TO OTHER OPPORTUNITIES?

Let's say you manage a $4 million product line. How much of the company's resources should be used to support that? How does that change if it's a $10 million company or a $10 billion company?

It's important to understand how big your portfolio or product is relative to other portfolios and products in the business. And while it's easiest to focus on revenue, it's also important to know your profit contribution, as the health of your margins can affect both your investment levels and your ability to scale.

Remember, not all product lines or portfolios are created equal. Every product has different revenue and profit contributions. Once you understand yours, you can analyze the overall size of the organization in the portfolio, and your size and contribution to that portfolio (both top line and bottom line).



SHAPE: HOW DOES IT TARGET YOUR MOST PROFITABLE AND SATISFIED SEGMENTS?

When you've identified the relative level of influence of your product, it's time to analyze the shape of the business. Imagine your business as a series of three triangles representing customer count, revenue and profits. Consider your customer base: what does a large customer look like, what does a small customer look like? How many customers do you have?

Next, calculate how much these customers contribute to revenue, and how much they contribute to profits. Some customers may produce a lot of revenue but don't generate comparable profit because they receive better price points or better service levels. All kinds of drivers might produce the traditional pyramid across customer accounts, revenue and profits.

It's important to understand this segmentation so you can optimize where to invest. You want to analyze which products solve the problems of your most satisfied and profitable customers to identify projects and opportunities that best benefit your business.

DIRECTION: HOW WILL IT AFFECT THE TRAJECTORY OF THE PRODUCT AND BUSINESS?

Look at the direction of your company. Is it flat, declining or growing? Assess the direction, not just of the top line, but the bottom line as well. Are you leaking profits? Perhaps you're growing revenue but every dollar that comes in is eroding incremental profit. Consider how these things affect fixed and variable costs, and ultimately, the way you run your business.

Every product or portfolio also has its own trend. It's important to know the quarterly and annual financial performance of each, to understand the product trajectory relative to overall business goals and the goals of other products. Then you can decide which opportunities are worth pursuing.

Having access to data is meaningless unless you shape it, customize it and make it relevant to your business. When you understand the size, shape and direction, you understand how your business operates and the context of your products within the business. This allows you to think, decide and act. But this isn't a one and done exercise. It's a loop that requires continuous monitoring. Commit to performing at least an annual assessment and start putting your data to work for you. PM

WHEN LOSING 800 CUSTOMERS PAYS OFF

I once ran a $32 million business with 10,000 customers. It was primarily subscription and user based with some additional premium features in a mature market.

A small number of customers contributed a large amount of revenue, and a large number of customers contributed a small amount of revenue.

As we started looking at trends and customer segmentations, we created five tiers. The lowest-value tier was the "single office, home office" group. Approximately 3,000 folks were responsible for about $2.3 million; it was just about a break-even business. They could be a slightly annoying subset. Since they were infrequent users who were not proficient, they consumed development and support capacity and dragged on profit. Upon further analysis, we found that there was actually a trend down on this particular segment of our customer base.

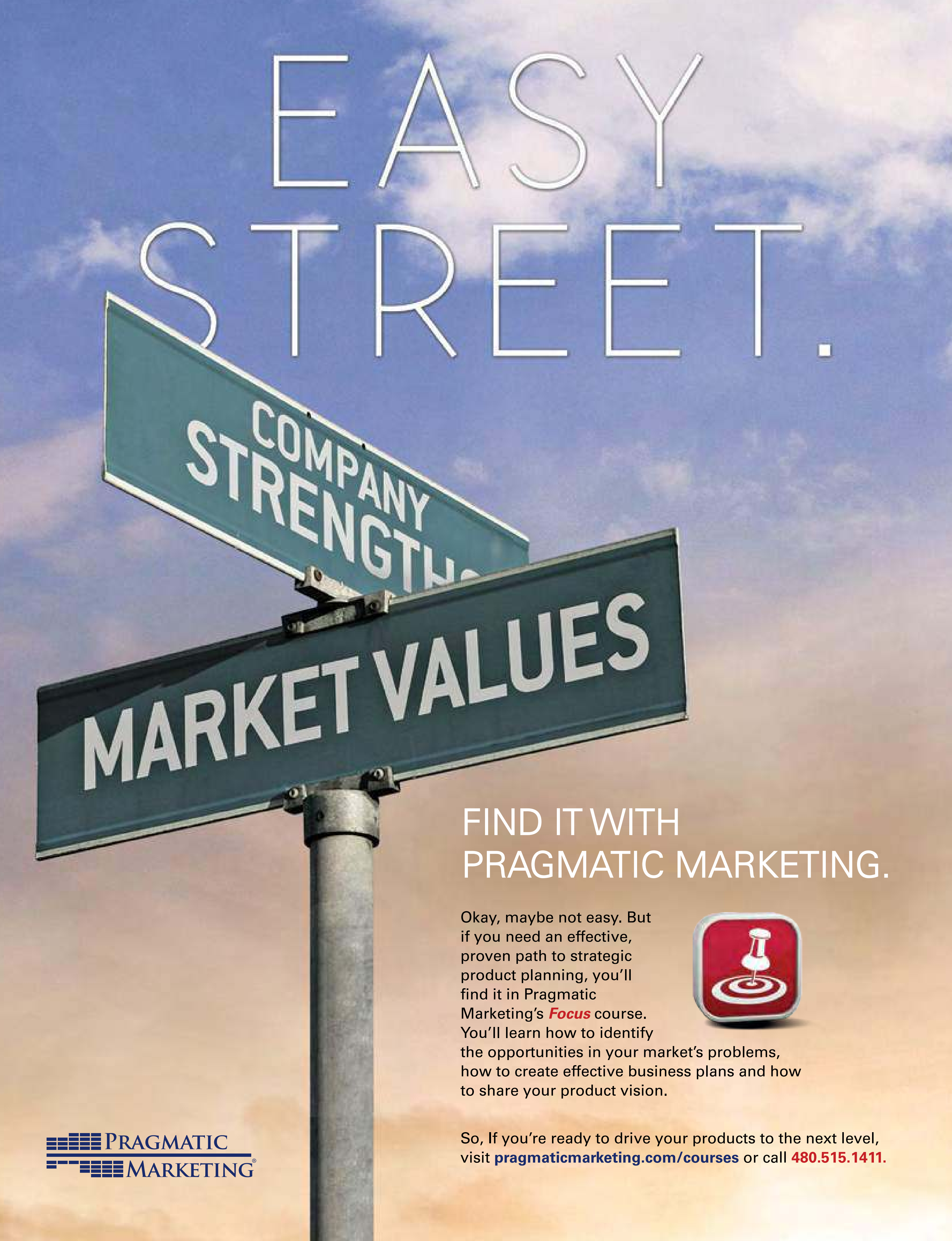
Our solution? Triple their pricing. We understood that we would lose a lot of those customers but the results were interesting. While we did lose 800 customers, the revenue actually went up to $3.6 million, $1.3 million of which was pure profit.

By understanding the size, shape and direction of our business, we were able to confidently make this decision, resulting in lower costs and increased revenue.

ABOUT THE AUTHOR

Jon Gatrell brings more than a decade of experience in product management, marketing, sales and corporate development to his role as a Pragmatic Marketing instructor. Jon previously served in senior product management and marketing positions at a number of companies, most recently at Stonebranch and Inovis. He has successfully implemented the Pragmatic Marketing Framework at multiple companies and integrated it into several acquisition plans. He has held leadership positions in numerous industry organizations.

In addition to his role at Pragmatic Marketing, Jon writes a blog on product management and marketing best practices at spatiallyrelevant.org. Reach him at jgatrell@pragmaticmarketing.com.


EASY STREET.
COMPANY STRENGTHS
MARKET VALUES
FIND IT WITH PRAGMATIC MARKETING.
Okay, maybe not easy. But if you need an effective, proven path to strategic product planning, you'll find it in Pragmatic Marketing's *Focus* course. You'll learn how to identify the opportunities in your market's problems, how to create effective business plans and how to share your product vision.
So, If you're ready to drive your products to the next level, visit **pragmaticmarketing.com/courses** or call **480.515.1411.**
PRAGMATIC MARKETING®

9 SCRUM METRICS TO KEEP YOUR TEAM ON TRACK

BY ROBERT BOYD

THE OLD ADAGE " YOU CAN'T IMPROVE WHAT YOU CAN'T MEASURE " indicates the need to *know how you know*. In traditional projects, milestones and key performance indicators (KPIs) measure project progress and individual contributions to that project.

But while agile scrum defines several milestones—sprint planning, daily standup, sprint review, sprint retrospective, backlog grooming—the milestones alone don't provide any guarantees of progress or success. However, each one allows team members to inspect and adapt how—and what—they work on.

Below are nine key metrics I've identified specifically for measuring the success of scrum teams and for keeping sprints on track. It's followed by a checklist of items to look out for if your team is not measuring up.

THE KPIs OF AGILE

1 **Actual Stories Completed vs. Committed Stories –** the team's ability to understand and predict its capabilities. To measure, compare the number of stories committed to in sprint planning with the stories identified as completed in the sprint review.

2 **Technical Debt Management –** the known problems and issues delivered at the end of the sprint. It is usually measured by the number of bugs, but may also include deliverables such as training material, user documentation and delivery media.

3 **Team Velocity –** the consistency of the team's estimates from sprint to sprint. Calculate by comparing story points completed in the current sprint with points completed in the previous sprint; aim for +/- 10 percent.

4 **Quality Delivered to Customers –** Are we building the product the customer needs? Does every sprint provide value to customers and become a potentially releasable piece of the product? It's not necessarily a product ready to release but rather a work in progress, designed to solicit customer comments, opinions and suggestions. This can best be measured by surveying the customers and stakeholders.

5 **Team Enthusiasm –** a major component for a successful scrum team. If teammates aren't enthusiastic, no process or methodology will help. Measuring enthusiasm can be done by observing various sprint meetings or, the most straightforward approach, simply asking team members "Do you feel happy?" and "How motivated do you feel?"

6 **Retrospective Process Improvement –** the scrum team's ability to revise its development process to make it more effective and enjoyable for the next sprint. This can be measured using the count of retrospective items identified, the retrospective items the team committed to addressing and the items resolved by the end of the sprint.

7 **Communication –** how well the team, product owner, scrum master, customers and stakeholders are conducting open and honest communication. Through observing and listening you will get indications and clues about how well everyone is communicating.

8 **Team's Adherence to Scrum Rules and Engineering Practices –** Although scrum doesn't prescribe engineering practices—unlike XP—most companies define several of their own for their projects. You want to ensure that the scrum team follows the rules your company defines. This can be measured by counting the infractions that occur during each sprint.

9 **Team's Understanding of Sprint Scope and Goal –** a subjective measure of how well the customer, product team and development team understand and focus on the sprint stories and goal. The goal is usually aligned with the intended customer value to be delivered and is defined in the acceptance criteria of the stories. This is best determined through day-to-day contact and interaction with the team and customer feedback.

SCRUM METRICS

It's easy to get off track if you're unaware of the issues that could derail your sprint. This chart identifies what to look for if you score low in any of the nine agile metrics.

1 ACTUAL STORIES COMPLETED VS. COMMITTED STORIES

- Team doesn't have an applicable reference story to make relative estimates
- Not every team member understands the reference story
- Customer needs aren't adequately communicated to development
- Requirement scope creep
- Team is disrupted
- Team under-commits, works at a slower than normal pace
- One team member makes most of the estimate, design, engineering and implementation decisions
- Product is buggy

3 TEAM VELOCITY

- Team size changes between sprints
- Team is doing very short release cycles or maintenance work (Kanban or XP may be preferable to scrum under these circumstances)
- Team doesn't understand the scope of work at the start of the sprint

PLUS:

2 TECHNICAL DEBT MANAGEMENT

- Customer input isn't solicited
- "Definition of done" is weak or doesn't include zero introduced bugs
- Outside interference forces premature delivery
- Team compromises quality by working on too many stories during the sprint
- Team members build based on how they think things should work, rather than what customer needs
- Team isn't documenting problems found or fixed

4 QUALITY DELIVERED TO CUSTOMERS

- Product owner doesn't understand what the customer wants and needs
- Customer isn't involved in developing stories or defining story acceptance criteria
- Customers and other stakeholders aren't present at the sprint review

PLUS:

5 TEAM ENTHUSIASM

- Impediments aren't removed in a timely manner
- The number of impediments is high during the sprint
- Team members can't contribute in a product area because they lack knowledge or experience
- Team members are working long hours at a pace that isn't sustainable
- Internal conflicts occur
- Team doesn't acknowledge or address repeated mistakes
- Team members don't have passion for their work
- The team is not being creative or innovative

PLUS:

6 RETROSPECTIVE PROCESS IMPROVEMENT

- Team is not self-organizing or managing
- Team self-improvement is discouraged at the expense of feature stories
- Team members don't review their own performance and environment during the retrospective

PLUS:

7 COMMUNICATION

- Team isn't adhering to scrum values, practices and rules
- Team isn't displaying key artifacts such as burndown charts, stories and acceptance criteria
- Customers aren't surveyed after each sprint
- Product owner isn't available to collaborate with the scrum team

PLUS:

MIA

8 TEAM'S ADHERENCE TO SCRUM RULES AND ENGINEERING PRACTICES

- No one is coaching or leading the team to be more productive and produce higher quality products

PLUS:

MIA

9 TEAM'S UNDERSTANDING OF SPRINT SCOPE AND GOAL

- No sprint goal exists
- Product owner doesn't understand what an incremental development approach means

PLUS:

REQ

ABOUT THE AUTHOR

Robert Boyd is a CSM (Certified Scrum Master), CSP (Certified Scrum Professional) and CSPO (Certified Scrum Product Owner). Robert began his career with the U.S. Navy where he worked on nuclear submarines. He transferred his skills to the private sector, working on submarine combat systems at Raytheon for 22 years. During that time he helped streamline processes and systems for the Australian Collins Submarine. He moved to Australia permanently in 2002 and began creating new software development processes for Integrated Research in Sydney. He also introduced agile methodologies to software and product management departments, resulting in a 300 percent increase in feature deliveries. Robert earned a B.S. in Computer Science from University of Rhode Island. He can be reached at sellingagile@gmail.com.

HUBSPOT'S FORMULA FOR PRODUCT LAUNCH SUCCESS

BY MAGGIE HIBMA

WE'VE ALL STRUGGLED WITH AN UNDERPERFORMING LAUNCH, usually because we forgot the number one rule about launches: launch readiness involves more than product readiness. This point was brought home in the spring 2014 issue of *Pragmatic Marketer*, and I couldn't agree more.

Product readiness is just a small slice of the planning pie for product marketing. Launch readiness should trump all. By the time a product or feature is ready to ship, product marketing should have all our ducks in a row. But, how many product marketers struggle with launch readiness because they aren't set up for it?

As a product marketer at HubSpot, I'm responsible for all feature or functionality launches in several areas of the marketing platform. I understand the fine line that divides a successful product launch from an underwhelming one. The big challenge: how to set up your employees—and yourself—for success.

PRODUCT LAUNCH READINESS

HubSpot has created a proven formula for achieving product launch readiness. First, our team structure and responsibilities provide a strong platform for success. Second, we're fortunate to have a strong company vision that drives all of our teams to market and sell a certain way. Third, we consistently use several tactics to better understand our audience. Fourth, we make communication, both internal and external, a priority. And last, but not least, we measure it all. These tactics also help strengthen our cross-team communication and relationships.

TEAM STRUCTURE

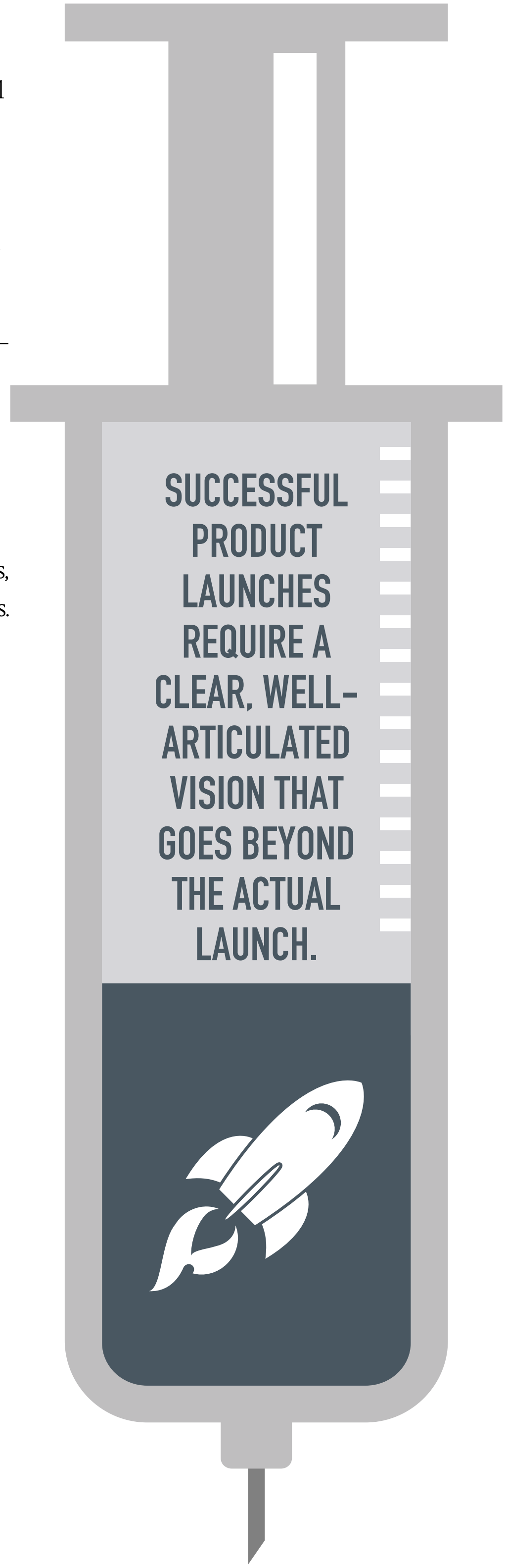
One thing I've learned about product—both management and marketing—in my career is that no two companies handle it exactly alike. A lot of factors play into this including the size of the marketing department, technical expectations for product team members, business philosophy and company goals.

At HubSpot, there are five of us who work directly with 10 product managers to launch new features and functionality, and grow the adoption of our product areas among customers. We're responsible for all components of launch readiness, such as sales training, product positioning, content creation and internal and external communications. Although our team falls under the marketing department umbrella, we work more closely with developers and customers than other folks on the marketing team. It's a special opportunity.

VISION

Successful product launches require a clear, well-articulated vision that goes beyond the actual launch. When I say "vision," I mean the reason your company was created in the first place, and what your company stands for as it continues to grow. HubSpot's vision and mission is to make the world more inbound. We want to change how companies market and sell their products or services based on the way consumers buy and shop online.

Making the world more inbound is the basis for everything we do. This consistency and reinforcement helps people understand how all the pieces fit together. It's an underlying theme for our launches. It's also the guiding light for product management as it creates software and for product marketing as it shares the product story with customers.



UNDERSTANDING OUR AUDIENCE

Understanding customers takes time. It isn't something that happens in a week or can be achieved through one specific activity. My team and I do things every day to better understand our audience and strengthen our clearly defined buyer personas. In fact, buyer personas are such an important cornerstone of inbound marketing that we built a personas tool into our product. Customers requested it and we recognized the need.

Our product marketing team has unlimited opportunities to learn about our audience. We attend user testing with product management from the time that team is ready to show a new feature up until production. We are sometimes called on to participate in demos with our sales reps, which helps us better understand what material and content are needed. We also work closely with our customer marketing team, and contribute blog posts about new features and best practices. Sometimes, we're even invited to be guest speakers and discuss new features at HubSpot User Group (HUG) meetups.

It's in these practices that we really get to know the people who buy our product, and what they want and need from us to be successful in their marketing. We use these findings to inform everything we do, from positioning to content creation. These activities also help us define how we should talk about the product to our audience, an important nuance.

POSITIONING

We use an approach called "working backwards," which is actually the cornerstone of how Amazon approaches product management and development. In working backwards, instead of starting with a product idea and figuring out how the customer will use it, product development starts with the customer.

At the beginning of every launch, we collaborate with product management on a fake press release to customers about the new feature, explaining the benefits in a non-technical way. It's a great exercise that helps product marketing and product management step back to look at what the feature means within the context of the HubSpot marketing platform. How does this feature help marketers who use our software do that better?

If we can answer that question with the press release, we know we're on the right track with product positioning and messaging. But it's not a one-and-done exercise; we'll go through many drafts to really nail why a feature matters to customers. The best part is that by the time the press release is done, I've got a good sense of where customer trouble spots might be. And I already have a few ideas about how to nip that confusion in the bud.

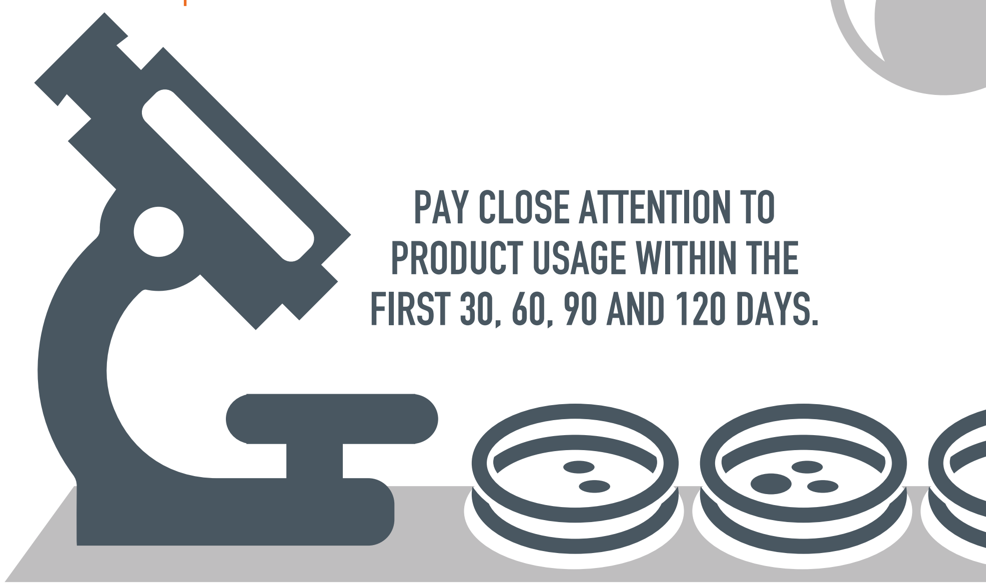
COMMUNICATION

When I talk to others in product marketing, I'm always curious to know what tactics they use for communicating feature releases, both internally and externally. In my opinion, it's not worth informing our customers of a change in the product if our sales team, support team, services team and other customer-facing teams don't know about it. Imagine if a customer calls a support rep with a question and the rep isn't aware that the functionality exists. What if an employee speaks at a HUG but doesn't know the latest and greatest information? If these things happen, I haven't done my job.

My team uses some great tried-and-true tools to communicate feature releases internally. For example, we hold monthly "product nation" meetings for our respective product areas. A representative from each customer-facing team attends and we'll go over that month's release chart. We use this release chart to keep track of the state of a feature release, timing of the release and other pertinent information.

Most internal communication is through emails sent to internal distribution lists. They run the range from alerting co-workers about private betas that might only affect a few enterprise customers to announcing functionalities rolled out to all customers. We call these emails "prod-notifys," and send out hundreds each year. They generally follow the same format, including a section up front that highlights the most important details for our internal team.

Externally, we've built mechanisms into our product and communications to help customers quickly and easily understand what's going on. Our software includes a notification tool that alerts customers (iPhone-style badges) when new software functionality is available. We gate these communications so only people who need to see them, see them. It helps eliminate the "Do I have this?" question since we offer several product tiers. We also have a public-facing release calendar to which customers can subscribe. It allows us to give customers a heads up about things that could catch them by surprise, like changes to their navigation. We try to think of everything we'd want to know as a customer, and share that information.



PAY CLOSE ATTENTION TO PRODUCT USAGE WITHIN THE FIRST 30, 60, 90 AND 120 DAYS.

PRODUCT KNOWLEDGE

To intelligently explain how a product works—and why it matters—product marketing must have an understanding that is both deep and wide. That's why our team sits with the engineering team in our Cambridge, Mass. office. Working near co-workers who develop and create what you're marketing not only helps with communication, it also helps create alignment on the launch.

We also use HipChat, a chat and video service that allows teams to "sit" in rooms by product area. These chat rooms allow anyone in the company, like sales reps or other marketers, to directly engage with the people who make a product and ask questions. Using HipChat helps me gauge if any of my materials are confusing, or if I haven't included enough information about a certain feature. It also provides me with a daily log, so if I haven't participated in the conversation that day, I can read about it that night and never miss a beat. Although we sit side-by-side, a lot of important information passes through our HipChat rooms.

LAUNCH CONTENT

Content creation, one of the guiding principles of inbound marketing, plays a huge part in our launches. We spend a lot of time preparing content for our launches that works for prospects and customers alike. It's also one of the few things I can do ahead of time to support product adoption or lead generation.

Our goal is to provide content that helps educate our customers and establish HubSpot as a thought leader. For example, I might write about how social media can help marketers with their lead generation goals and how to best use social media for that purpose. This content isn't solely product-focused and helps attract folks into our funnel. We write posts on our marketing blog and store evergreen guides in our free, public marketing library. This content also helps us further define our messaging and positioning when it comes to our tools.

In addition, materials such as product pages, customer stories and buyer guides help articulate product value, and they educate customers about how a product fits into HubSpot's overall marketing platform. These materials also generate product interest with existing leads, and help our sales team with the lead-to-customer conversion rate.

As the launch approaches, we work with other customer-facing teams and product management to create product-heavy content that helps customers understand the new feature. Resources include help documentation, user guides and posts on our customer blog. Because similar content lives in different places on our website, we collaborate with other teams to ensure we all say the same thing in terms that are easy to understand and digest.

METRICS

To deem a launch successful, you've got to first set goals for yourself, for the launch and for the metrics you're responsible for in product marketing. This will vary from company to company. At HubSpot, the goals can change based on what's being released, who has access to it and what we're trying to achieve. In general, we look at three areas when considering success.

First, we look at the effectiveness of content created for the launch. We measure how individual assets are used, both internally on our sales and services floors, and externally by prospects and customers. We look at new contacts, reconversions, conversion assists, sales team usage, referral traffic—the works. This helps us understand what's working so we can mimic it next time we have a similar release. Also, it allows us to determine the rough value of different assets in a launch. Sometimes, a blog post is the most-viewed content in a launch; other times, an email nurturing program works best. The only way to know is to try and track.

Second, we watch the lead-to-customer conversion rate on any assets we create. Every time a member of our sales team closes a customer, they send out a "DING!" email to a distribution list. This helps us see which assets the new customer viewed in the sales process.

The third metric we track is product adoption. Our team pays close attention to milestones including product usage within the first 30, 60, 90 and 120 days of a customer's life. It helps us close the loop on a launch and follow it through the customer lifecycle. If we release a feature in January, we expect that a certain percentage of our customer base will have adopted it before summer hits. We also filter data to see what type of customers adopt the feature; it helps us know if we need to do another smaller, targeted push.

STAYING INNOVATIVE

Every other Friday, our team meets during lunch to discuss the successful product launches at other companies, and what we can learn from them to be even more successful at HubSpot. Although we're classified as a B2B company, we don't discriminate; we look at all kinds of companies and what they're up to. Everyone's doing something we can learn from.

While the words "team bonding" can incite an eye roll, for us these Friday meetings go a lot deeper. Not only are they great for getting together to discuss day-to-day work, they're also designed to keep us learning and interested in new product marketing tactics. The day-to-day workload can be all-consuming, especially at tech companies and start-ups. This team-time allows us to step away from our daily work and get some perspective. I always leave these meetings with a new tactic or strategy to consider for my next launch.

Before our customers even catch wind of an upcoming feature release, there's a lot of planning, collaborating and communicating between the product marketing and product management teams. That's because in product marketing we don't focus on product readiness; that's not our job. Our job is to ensure launch readiness, something that encapsulates more than just the product. PM

ABOUT THE AUTHOR

Maggie Hibma works on the product marketing team at HubSpot, the world's leading inbound marketing and sales platform. Maggie specializes in the platform's marketing automation, social and mobile apps. She frequently blogs for HubSpot and Social Media Examiner. Prior to HubSpot, Maggie was a product manager at LogMeIn where she grew the brand through social media and worked directly with U.S. and international development teams to design, test and launch product features. Follow Maggie on Twitter at @MaggieHibma.

Difficult Customer Conversations

Applying Research From the Harvard Negotiation Project

BY JONATHAN LEVENE

NO ONE SETS OUT TO CREATE AN ANGRY CUSTOMER, but there's a good chance it will happen. Mismatched expectations are at the root of customer conflict. Perhaps a product doesn't behave as expected or you over-promised and under-delivered on customer commitments. You may be tempted to believe a customer is difficult by nature, or see your company as poorly executing a well-established process. Most often the reality is that angry customers are the result of trade-offs organizations make. These might include shifting resources from one product to another, prioritizing enhancements for one customer segment over another, or judging when product quality is sufficient to release. At its core, product management is about leading an organization through intelligent trade-off decision-making. This means that eventually, product teams can expect to encounter an unhappy customer.

The situations in which you'll encounter angry customers vary widely. Some we expect, such as when we investigate a recurring pattern of support cases that are escalated to, or perhaps discovered by, a product team. Then there are my favorites, the ones when we're caught off guard:

- Conversations with customers related to a business case
- Interviews with customers about product requirements
- Feedback sessions on the product roadmap
- Research on user personas or use scenarios
- Evaluation of customer retention strategies

Learning how to handle these scenarios is a critical skill for product teams to develop because the risks in mishandling them are significant. There's the potential of accidentally escalating the conflict or perpetuating misunderstandings, which could come back to haunt your organization at contract renewal. In social media conversations, or even during trade shows, an unresolved conflict can be amplified to dissuade new prospects from purchasing. Perhaps most important, though, is the missed opportunity for your product team to learn from the customer's perspective and deepen the team's relationship with key customer accounts. To many buyers, the way a vendor handles an escalated problem is just as important as how it delivers value.

The Harvard Negotiation Project (HNP) was founded in 1981 at Harvard Law School and is comprised of many of the world's leading scholars of negotiation theory and practice. In their bestselling book *Difficult Conversations—How to Discuss What Matters Most*, HNP's Douglas Stone, Bruce Patton and Sheila Heen present some best practices in handling difficult interpersonal conversations. I adapt them here to apply to customer conversations.

If you're fortunate enough to anticipate a conversation with an unhappy customer, get as much context from internal sources beforehand as possible:

- How important is this customer to the business?
- Is this a reference account or a relatively large account?
- Is a renewal looming which the customer could leverage during the conversation?
- Does the customer have a history of frustration?
- Is the customer representative of a target segment or more of an outlier?
- Is the account manager free to participate?

Anticipated or not, if your customer conversation goes south, it's important to be aware of the conversation's two distinct phases: problem discovery and problem solving. Each requires dedicated time and different skills to achieve different ends. While this sounds obvious, many people's natural inclination is to jump into problem solving too early in an effort to avoid or minimize conflict. This can leave customers feeling that they weren't heard or that no one appreciated the issue's impact. It can result in residual anger or unhappiness that lies in wait, exploding anew when a new incident occurs.

Problem Discovery

During problem discovery, your primary goal is to listen actively and explore impact. There's a terrific technical note on active listening written by Professor James Clawson of Darden Business School at the University of Virginia. Most of the time when you listen you do so passively, Clawson explains. You pay attention to the other person without interacting. During active listening, you seek to hear the person on multiple levels, and reflect back what you hear to ensure that you understand correctly and that the customer "sees" this clearly. This helps other people feel heard and can serve as a powerful tool for communicating empathy and building trust in the process. Practice the following key skills to improve your active listening.

Suspend judgment. Momentarily set aside any judgments or beliefs about what may be right or wrong and simply listen to understand. This may be difficult, particularly if you mistakenly believe that others will interpret your failure to take an immediate position as implicitly taking responsibility to do what the customer wants. At this point, you're still exploring the issue and its impact on the customer.

Focus on emotion, as well as content. The natural inclination with customers is to ignore emotions during tense moments and focus on problem solving. Certainly, that seems easier than talking about feelings or emotions.

However, unexpressed feelings can accumulate and burst without warning. They can inhibit a customer's ability to listen when it's your turn to speak and leave them with a sense of not having been heard. Emotions reflect the intensity of a person's thoughts and experience, so acknowledge what you perceive while demonstrating empathy. Try using phrases like, "I hear how upset you are" or "I can understand why that would be confusing."

Follow—don't lead—the conversation. The goal during active listening is to give the customer complete freedom to pursue the issues and topics they choose. This helps the customer express all facets of each issue and begin to feel heard.

Reflect accurately what you hear. Test that you've understood correctly what the customer is saying, and show them that you heard, by asking questions and paraphrasing. For example: "Just so I understand, you're saying that ..." or "If I heard you correctly, the impact was …"

Active listening is a key technique to use during problem discovery, but it's important to know what to listen for. As Stone, Patton and Heen point out, every difficult conversation really encapsulates three conversations:

1. **The "what happened?" conversation.** First and foremost, listen to the customer's perspective on the sequence of events that led to the issue. Map contributing causes by determining what led to the undesirable outcome both from the customer's perspective and your company's perspective. What was the impact on the customer organization? You may need to suspend active listening and ask some open-ended questions to find out.
2. **The feelings conversation.** Listen carefully because it can be difficult to determine the customer's emotional state. Anger and fear may be obvious, but ambivalence, confusion or a vague uneasiness can be more subtle. Use their expressed feelings as an internal measure of the issue's intensity.
3. **The identity conversation.** Listen for any personal concerns your customer contact has, especially ones that relate to their identity within their organization. These might include implied fears that you'll abandon their organization. Are they concerned about how they will look to their colleagues, to senior management or to other stakeholders? Acknowledge this directly, and recognize any championing of your product they have demonstrated. For example: "I appreciate how much you've championed the rollout of our product during the last year, and I hear how this issue has put you in an awkward position with department heads."

Once the customer has a chance to express concerns, and you understand the impact of the issue on their organization and on themselves personally, it's time to switch to problem solving.

Problem Solving

During problem solving, your primary goal is to take the lead and advocate internally for the customer. For most product teams, this is a more natural phase than problem discovery because it leverages the same problem-solving skills that are used for requirements research. The difference is that customer communications must be more carefully managed. The following guidelines will help lead the customer through the problem-solving phase.

> **During problem solving, your primary goal is to take the lead and advocate internally for the customer.**

Acknowledge failures. During problem discovery, it was critical to suspend judgment to explore the customer's experience. Now it's time to bring it back. Acknowledge failures where they occurred, and present some visibility into your organization to explain how they occurred. Organizations grow and mature just like people, so paint a picture of your company's stage of maturity. Being real and honest is an important step towards reestablishing a sense of trust with the customer.

Gather solution requirements. Research how to rectify the situation and the customer relationship. You can ask the customer directly, "What do you need to resolve this situation? Why?" Some requirements may be hard, such as restoring a broken product capability. Others may be softer, such as restoring a sense of trust.

Advocate internally and explore options. Create a cross-functional team and explore options that address the issue. Be a champion for the customer's needs and communicate what you learned. This is where your findings from the three conversations (what happened, feelings and identity) are critical to bringing the team up to speed and creating a complete picture.

Present choices. Identify multiple options to offer to the customer. Focus on options that provide a trade-off decision. For example, perhaps the customer uncovered a major defect in your software product that is moderately impacting their organization, but there's also a heavy customer cost (perhaps testing and validation) to upgrading to a new version. You might offer to trade-off the time to a fix with the work required to deploy it: either wait one month for a major release that will fix the issue, or upgrade now to a patch and then upgrade again to the major release in one month. Presenting a choice helps the customer regain a sense of control. And since they participated in choosing the solution, it maximizes the odds that they'll buy into it.

Reset expectations. Be up-front about where you are in the process and what to expect. Provide visibility into how your organization makes decisions and how you are advocating internally on the customer's behalf. If their expectations for a resolution won't fly internally, explain this as early as possible. It will help buy more time to "see what I can do" if needed.

Balance bad news with good. If you must deliver bad news, get internal buy-in for a token of goodwill you can extend to the customer if the relationship warrants it. This might include providing a product or service for free, or extending a renewal date at no cost. A small gift can go a long way—send a fruit basket or chocolates to your customer contact along with a letter explaining remedial steps you're taking to resolve the issue.

Over-communicate along the way. During problem solving, resolution and follow-up, communicate more regularly than normal to demonstrate you're on top of the situation. A daily touchpoint (by phone or email) is a good goal for a pressing issue at a key customer site. If your customer contact has any concerns in the interim, encourage them to email or call you. Being available shows that you're committed to a resolution and to restoring the customer relationship.

Problem discovery and problem solving are complementary phases of tackling difficult customer conversations. Problem discovery is about active listening and exploration, while problem solving is about taking action and advocating. Each situation may require different amounts of time spent in each phase. However, slowing down to give the customer an opportunity to feel heard (even if only briefly) before taking action will help you learn from your customers, strengthen your relationship and, perhaps counter-intuitively, address issues more quickly when they arise. PM

About the Author

Jonathan Levene is a Boston-based executive coach specializing in leadership development of product management executives and directors. He is a 14-year veteran of product development organizations in small and mid-size companies and a former president of the Boston Product Management Association. Jonathan offers tools and evidence-based training and coaching programs on leading effective change management initiatives, influencing leaders in other functions and developing product teams for peak performance. For articles and tools on product leadership, visit www.levenecoaching.com.

Delete It!

Managing Your Backlog

BY FELIX SARGENT

YOUR BACKLOG IS TOO LONG. You know it and your team knows it. Neglected items from two years ago are in there collecting dust. Long-forgotten issues that may or may not have been fixed are festering in the chaotic dungeon of your backlog. Delete them.

"As a database, I would like to support Acme Standard ZXY 2.17-3." Huh? What does ZXY 2.17-3 do? What does it mean? No value, no stakeholder. Delete it.

Product management often uses the backlog as a notepad, a place to jot down tasks before they slip from consciousness. Stop. Every item in your backlog has to be sorted, and you're a human bubble sort (so inefficient your primary purpose is to show computer science students how not to sort lists). The fewer stories you have, the more meaningful they can be.

Task management systems like *Getting Things Done* encourage consolidating everything into one place to deal with later. Your backlog should not be one of these places. A large backlog slows your velocity, confuses your team and obfuscates your progress.

I once took over a three-year-old project and its backlog. As a new member on the team, I didn't want to rock the boat. I read every issue, added structure that wasn't there and tried to figure out themes from clues the old product manager had left behind. After two months, I'd cleaned things up. Each sprint had a strong goal, and the team was making progress. But things would get lost. Bugs that I knew were there were consumed by the black mass at the bottom of the list. I'd find three bugs created by different team members within a day of each other; apparently finding the original bug was harder than making a new one.

If you have these issues, it's time to delete half your backlog. But how do you decide what's important and what's not?

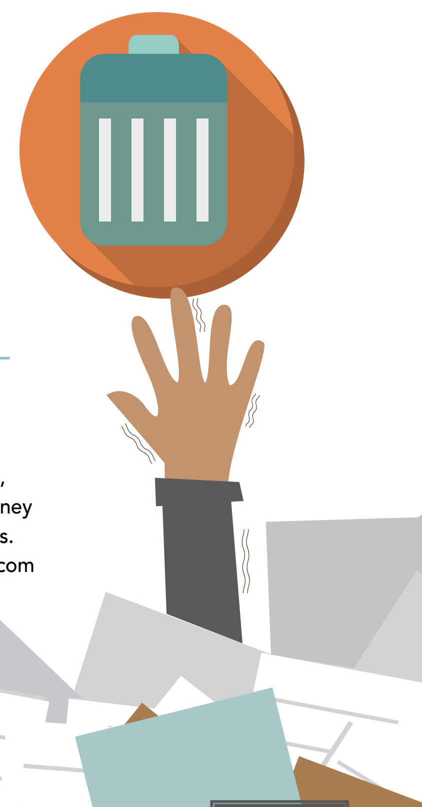
If it doesn't have a who, what and why, delete it. It's not worth keeping stories without stakeholders, work or necessity. I cleared out 30 percent of my inherited backlog by following this mantra. Often technical debt will be tracked in the backlog without any justification for its importance. If you're creating a technical debt story, be sure to justify the exact reason the work is necessary. Will it improve performance? Solve a bug? Make further development easier? If you're not sure, delete it.

If the team can't remember whether it was fixed, delete it. If it's not worth recalling, it's not worth existing. A former team member placed 30 items in the backlog, and we weren't sure what they were, or whether they were important. We realized that if we didn't know what the bug was, and couldn't verify it, we could either forget about it, or it would pop up later where we could fully spec it out. We deleted 10 percent of our backlog this way.

If a feature request hasn't been updated in months, delete it. It belongs on a roadmap or planning page, not your backlog. Another 10 percent of our backlog was "someday" items. Often these items were well-written specifications, but we weren't going to complete them within the next year. I transferred them to our planning pages.

Don't be afraid to consolidate stories. Stories should be smaller at the top, and bigger at the bottom. We often forget that part. For example, my team created specs for an epic—20 stories that were too big to complete in a single sprint—and then realized we had to leave it alone for three months. What did we do? We threw it away. Products morph with every sprint. If and when we returned to that epic, the tasks would have been out of date and useless; we'd have carried them as dead weight the entire time.

I heard from my old product team recently. That old backlog of mine? Deleted. Entirely. I didn't shed a tear. PM



About the Author

Felix Sargent is a product manager at Bloomberg LP in New York City. When he's not grooming the backlog, he's studying Chinese and raising money for charity via long distance bike rides. Contact Felix at felix.sargent@gmail.com or www.felix.sargent.com.

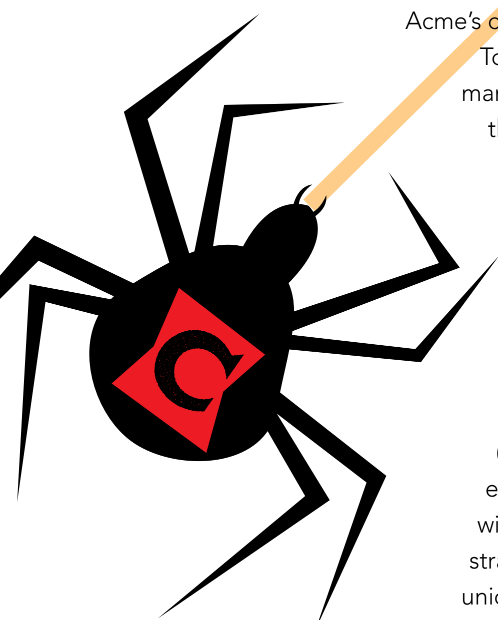
Break Out of the Commodity Trap

A Six-Step Approach to Unlocking Customer Value

BY NEIL BARON, DAVE BURROWS AND BILL COHN

ACME CORPORATION* WAS A HIGHLY SUCCESSFUL TECHNOLOGY COMPANY in the financial services sector that specialized in processing credit card transactions for organizations doing business online or by phone. With more than 250 employees, Acme grew by 30 percent each year, the result of innovative technology and a focus on providing exemplary customer service. Despite continued success, the leadership team had significant concerns about the company's future.

Facing increased competition and a rapidly changing technology environment, Acme felt margin pressure in its core markets. Increasingly, price determined deals. The dreaded "C" word—commodity—was used to describe Acme's core offerings.



To its credit, Acme management recognized the need to change while things were still going well. To maintain growth and margins, management decided to differentiate Acme by offering a portfolio of value-added services (VAS). The VAS offerings enabled Acme to engage with customers at a more strategic level and deliver unique business value.

Acme successfully pivoted, despite external and internal challenges. The end result was a lucrative acquisition by a multi-billion dollar company. Acme's journey—from struggling with commoditization to providing a robust suite of value-added offerings—contains several lessons for companies eager to differentiate themselves. The antidote to commoditization is to increase the value delivered to customers, and prove that value through exhaustive reporting and performance measurement.

But if a business isn't in crisis, people will resist change:

- Salespeople may push back on changing how they relate to their customers, particularly when they're still successful selling the old way. They must now sell solutions, which requires new tools and a deeper level of engagement.
- Marketing needs to shift its focus to communicate value instead of features, and must start by understanding customer needs at both holistic and granular levels.
- Engineering must identify process inefficiencies and opportunities to deliver untapped value, instead of focusing on technology advancements.
- Other functional groups will resist changes to their well-hewn processes.

Most companies lack the experience and expertise to lead this effort, and there's no roadmap. However, the following six-step approach helped Acme in its quest to focus on selling value.

1 Establish a Team to Focus on Customer Value

Acme took the critical step of investing in a customer success organization and creating the role of customer success manager. The customer success manager role included:

- **Pre-sales:** to support sales' efforts to discover and present opportunities to sell value
- **Post-sales:** to ensure that customers realize the value they expected when they purchased VAS

To convey and reinforce the value it delivered, Acme scheduled semi-annual business reviews with each customer. In these in-depth sessions, Acme presented a thorough, quantitative impact analysis—using the customer's own data—of the VAS the customer had adopted, and a prospective

* Acme is the pseudonym for an actual company.

look at other services that may not have been considered. These analyses also yielded success stories for marketing, and provided feedback to the product team about potential enhancements and new VAS. They created a virtuous cycle. The business reviews helped Acme uncover new ways to add value by:

- Increasing customer revenue
- Decreasing customer costs (e.g. by finding and correcting inefficiencies)
- Mitigating customer risks

2 Uncover Your Hidden Value

Most organizations already provide differentiated value to their customers. However, because they are so focused on promoting their technology, they can't recognize the value they actually deliver.

For example, Neil worked with a successful chemical company that developed a new way of removing toxic materials used in certain manufacturing equipment. The chemical company focused on promoting the technology and specifics of the cleaning agent's molecular structure. After all, why wouldn't everyone want to use xenon difluoride in their equipment?

Unfortunately, by focusing on how the toxic materials were removed, the new technology's true value was hidden from the chemical company and its customers. A fresh pair of eyes helped the company realize that the real value was in reducing toxic waste, limiting employee health risk and improving equipment performance, not in the use of xenon difluoride. Once the company uncovered and articulated this hidden value, product sales took off.

Challenge assumptions about value proposition and place customer interests first.

3 Refine Your Value Propositions

Most companies have a false sense of security about how effectively their value propositions resonate with customers. In a fascinating research study, Bain & Company surveyed hundreds of seasoned executives. A resounding 80 percent answered "yes" when asked "Do you deliver a superior value proposition to your customers?" When they asked customers for their opinion, only 8 percent agreed.

This survey is a few years old, but things haven't changed. A company's value proposition often isn't what executives think it is.

Companies must objectively challenge assumptions about their value proposition and place customer interests first. Using a value proposition refinement process can help achieve organizational consensus and create a more powerful value proposition. In Acme's case, they used Baron Strategic Partners' value proposition refinement process. The process began with internal and external assessments of the company's value proposition and included several cross-functional working sessions to refine that value proposition.

4 Validate Your Value Proposition

It's vital to test the refined value proposition with your target market. Companies frequently assume they know what their customers value. And yet we are amazed at what we learn from in-depth customer interviews.

For example, the CEO of a contract manufacturer was convinced that its value proposition was simply "we make things at lower cost" and that his company won because of its low prices. When Neil spoke with a couple of customers to validate the CEO's assumption, he discovered that customers loved the contract manufacturer for another reason:

its expertise enabled customers to enter new geographic markets faster and bring new products to market quicker. Low prices weren't even a consideration! By misunderstanding why customers bought its services, this company focused on providing the lowest prices, and left a lot of money on the table with suboptimal pricing.

5 Align Your Organization to Deliver the Value Proposition

Many organizations work in silos. And while each department does what it believes is most important for the company, departments rarely agree on what that is. Deliverables are thrown over the wall from development to marketing to sales. According to innovation guru Clay Christensen, this "over the wall" process fails more than 90 percent of the time. Revenues disappoint and the vice president of sales gets blamed.

Placing customer needs first addresses the failings of this approach. Each functional group must be involved in developing the value proposition. Once groups achieve consensus, it's critical that each one understand its role in delivering the value proposition.

After we emerged from this process at Acme, the head of engineering stated: "From now on I'll prioritize our development projects based on the value they each deliver to our target customers. The projects that deliver more value will get a higher priority."

6 Sell Value Not Price

The primary reason salespeople fail is their inability to articulate a strong value proposition, according to several recent studies. That makes it critical to establish a value proposition that the sales team understands.

Too often marketing creates sales tools and training based on what it thinks the sales team needs. The net result is that 75 percent of all sales tools go unused and most training gets poor grades, according to Forrester Research.

Acme recognized that selling value required a new approach. It began by documenting steps in the customer buying process. It then mapped the sales steps required to move customers through the buying process. With a strong value proposition and the buying process map as its foundation, the company created a sales enablement playbook. The sales reps loved it. According to Acme's vice president of enterprise sales, the playbook cut in half the time it took for sales reps to become comfortable selling VAS.

After providing sales with the tools to be successful, Acme turned to motivation. Because salespeople are competitive by nature, Acme celebrated the initial successes at selling VAS, and subsequent successes for each deal closed at a higher price point. When salespeople who may have been dubious about selling VAS saw the success of their peers, they changed their own approach to book more business and get higher

KEY TAKEAWAYS

Engaging customers at a more strategic level is never easy, but keeping these lessons in mind will help.

Change is harder than you think. Expect pushback from parts of the organization that are afraid of change.

There is no roadmap for doing this. Although we outline steps that are key to this successful migration, there's no cookie cutter recipe to follow. Tailor your approach for your specific situation. Consider your organization's readiness to change, the market pressures you face and internal politics.

Question assumptions about your value proposition. You can kill your value-selling effort if you assume you already know what your customers value. As the Bain & Company study highlighted, many executives incorrectly believe their companies provide superior value to customers.

Leverage outside expertise. If you need help, find an outside firm with the track record, framework and expertise to help guide you through this effort.

Establish the right metrics. Companies may view their value-selling effort as the company savior and set unrealistic expectations. Change takes time. While we applaud setting stretch goals, companies that set unreachable targets risk demoralizing their teams.

You are never done. This effort must be viewed as a continuous process. Market and customer needs change over time. New competitive threats appear. Companies make a big mistake when they complete the process and don't revisit it once or twice a year.

commissions. Over time, the entire team recognized that selling VAS made their jobs easier.

When Acme began its journey from emphasizing commodity technology to selling value, it was uncertain how things would turn out. However, with the support from top management and the right outside expertise, Acme followed these six steps and continually sought out value-selling best practices. Results exceeded expectations. VAS now account for more than 25 percent of the company's revenues. And because of VAS, Acme had many suitors, eventually selling for 2.5 times more than comparable companies received. PM

About the Authors

Neil Baron is an internationally recognized authority on selling and marketing innovative products, services and solutions to risk-averse customers. He has served in a variety of senior marketing and management roles at companies such as IBM, Digital Equipment Corporation and Sybase. He is passionate about involving customers throughout the go-to-market process. In 2009, he started Baron Strategic Partners, a consulting firm focused on helping organizations launch groundbreaking products and services and reenergize older ones. Contact Neil at nbaron@baronstrategic.com or www.baronstrategic.com.

Dave Burrows is co-founder and chief product officer for Pazien, a startup whose products demystify and simplify payments for merchants. Prior to Pazien, Dave was a co-founder of Litle & Co. and served as VP, Product Management. He was a member of the team that successfully sold the business for $361M to Vantiv, Inc. Prior to his product management career, Dave was a first lieutenant in the U.S. Air Force where he served as the information systems and technology program manager. Dave received an M.B.A. from Western New England College and a Bachelor of Mechanical Engineering degree from the Georgia Institute of Technology. Contact Dave at dave@pazien.com.

Bill Cohn is director of product management for Vantiv Inc.'s (VNTV) e-commerce business unit (formerly Litle & Co.). Bill has more than 20 years of product management and marketing experience working for telecommunications, software and business information product and service companies including Copyright Clearance Center, Genuity, Digital Broadband Communications, FTP Software and Boston Technology. Bill received an M.B.A. in Marketing from Columbia University and graduated from Amherst College with a B.A. in American Studies. Contact Bill at cohnbill@gmail.com.

Surf's Up!

What Surfing Can Teach Us About Navigating the Marketing Waters

BY RYAN GLUSHKOFF

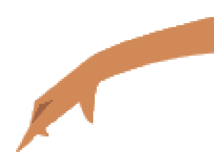
MARKETING IS A LOT LIKE SURFING. Like the ocean, the market is huge and in constant motion. And while some market waves are predictable, others are unexpected and catastrophic.

Many companies underestimate the market waves they intend to surf. According to a study by Shikhar Ghosh, a senior lecturer at Harvard Business School, of 2,000 companies that received funding between 2004 and 2010, three-quarters of those companies didn't return their investors' capital. These companies have no business going surfing.

Becoming a great surfer requires more than talent; it requires practice, dedication, perseverance, sacrifice and humility. You have to pay your dues. Just getting out beyond the swells takes persistence. Strong currents and gusty winds will try your patience. Huge waves will test your dedication. And if you go out with an attitude, prepare to be humbled. Marketing will also try your patience and humble you if you have the wrong attitude. Because your goal is to maximize the odds for your company's success, it pays to approach the market with an open mind.

Just as waves constantly move and change, so do markets. Buyers buy, sellers sell and competitors innovate. And every now and then, a storm stirs things up and creates a once-in-a-lifetime opportunity.

To make strategic decisions that ensure your company's success, the marketing team must think ahead to understand what the market wants. You can't afford to burden yourself with false pretenses or preconceptions. The market is what it is and you—just like your skilled surfing friends—can't be cocky going into a wave or you'll get crushed. In surfing, you have to size up your wave before you paddle in; in marketing, you have to talk with these key representative groups persistently, patiently and humbly to build an understanding of the market:



Current Customers

Current customers are a valuable source of information. They entered the market for a solution like yours, made a decision to purchase your solution and now use it on a regular basis. Their feedback should be highly valued by the marketing and product management teams.

Churned Customers

Like current customers, churned customers bought from you but they ended the partnership. They may be even more valuable sources than current customers. Their rationale for ending the partnership can provide valuable insight into mistakes that were made or gaps in service.

Lost Deals

Lost deals are prospects who evaluated you, but elected not to do business with you. The decision must be respected, but it's important to understand the reasons why. After an opportunity closes, request a win/loss call to better understand the research and decision-making rationale.

Current Evaluators

Evaluators are a tough group to speak with for obvious reasons: they're still evaluating you. It's not easy to convince a sales rep that you want to interrupt their opportunity for research purposes. But observing prospects as they evaluate is like watching Laird Hamilton size up a wave as he gets towed into it—there's no substitute for seeing it live. Act like a fly on the wall and listen to the discussion. You'll get real-time feedback on what prospects and your sales reps say.

Potentials

The toughest population to talk with may be your addressable targets that aren't even in the market for a solution yet. Their feedback is important because they're likely to be your next set of evaluators. The best place to start is by asking your sales team for their cold leads, those silent companies that rarely respond to marketing programs. They're the ones that attend trade show sessions but won't set foot in your booth. To open them up, try saying "I'm not trying to sell you anything and couldn't even if I wanted to." Who knows? Your cold lead might even warm up a bit.

The same ingredients that make a good surfer—patience, persistence and humility—are also critical to marketing success. Your market is bigger and stronger than you are. Although you can't control it, you can learn about it by interacting with the market's constituents: those who have bought from you, those who are considering buying from you and those who haven't bought from you yet.

About the Author

With more than 15 years of software industry experience, **Ryan Glushkoff** builds solutions and scales businesses. Despite formal training as a chemical engineer, Ryan found his home in technology and has spent his career working for great companies like PeopleMatter, Blackbaud, PricewaterhouseCoopers and Capgemini delivering awesome technology solutions to customers. Follow Ryan on Twitter at @NoMoreGuff.

Exploring Breakaway Leadership

BY ART PETTY

IN HIS 2011 BOOK, *ESCAPE VELOCITY*, Geoffrey Moore takes on the major strategy issue faced by most successful organizations with a bit of history behind them: how to escape the gravitational pull of the past in search of new sources of growth.

It turns out, most of us aren't much good at pulling this off, which explains the tremendous volume of once good—now gone—organizations. Chances are your organization has plans to change, and as part of your strategy, you must identify and capitalize on new sources of growth. Those concepts make for pretty slides and create head-nodding executive and boardroom presentations. But doing the actual work is far from simple.

Moore offers some priceless assistance in turning those inside-out strategy discussions and budget-driven investment plans into outside-in, investor and future-focused discussions and actions.

Along the way, he proposes a hierarchy of powers, a simple but sophisticated framework that articulates where firms can build or leverage power. Category power is at the top of the hierarchy.

Category Power

Category power is the primary predictor of financial performance. Participating in growth categories harnesses secular growth that once gone is not easily replaced. The rest of us are left with cyclical growth (mature markets) or low to no growth created through consolidation and cost cutting (declining markets).

Moving into growth categories is a core task for managers and executives. Much of how you manage, plan, budget and commit gets in the way of moving from mature categories into newer and foreign growth categories. This gravitational pull is the enemy of finding new growth.

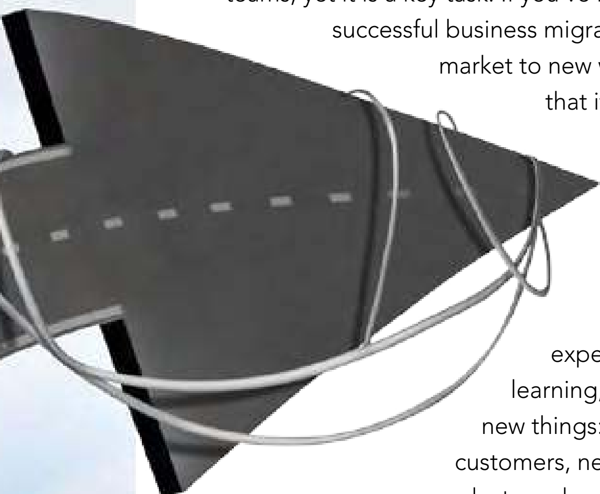
Shepherding growth categories is different from managing mature or declining businesses. It takes extraordinary effort and a different set of

rules to enter and succeed in a growth category

View and manage categories like a portfolio. Most portfolios are out of balance, with too much emphasis in slow-growth, mature or declining markets and no credible source of emerging or growth businesses. Balance your portfolio or suffer the consequences.

Leverage category power. This is the number one way to escape the gravitational pull of the past.

The concept of shifting into newer and higher growth categories as legacy businesses sustain or decline is profoundly difficult for most firms and management teams, yet it is a key task. If you've lived through a successful business migration from legacy market to new world, you know that it can be a messy, emotionally turbo-charged experience laced with doubt and fear. It's also a time rich in experimentation and learning, filled with lots of new things: new people, new customers, new offerings, new products and new partners.



Business and organizational change is never simple. I've been involved in two successful migrations, and counseled clients who ultimately pulled it off; I've also been around colleagues and clients who were unsuccessful. The truth is, no matter what the size or scale of an organizational transformation, there are certain warning signs you need to watch out for. Conversely, there are certain things you can do to improve your odds of success in building something new while managing the existing legacy business. I've identified eight warning signs that identify when you're off track and eight signs that indicate you're on the right track.

Eight Signs of Breakaway Failure

1. Management by cloistered cockpit control. Senior management assumes responsibility for change efforts (good), but fails to adequately involve anyone not seated on mahogany row (bad). They work unceasingly to think through the change, but lose track of what the people doing the work need in the form of context, support and motivation.

2. The legacy is left behind. The painful reality is that what got you here won't take you forward. But, when the legacy business pays for an investment in the future, it's critical to lead and manage this part of the organization with care and concern; when you alienate good people to optimize outcomes, the culture shift crashes.

3. Only the cool kids get to play. Yes, it takes new people with new skills to facilitate a successful market shift, but it's a huge mistake not to bring legacy talent along through opportunities, education and immersion.

4. Courage wilts under pressure. The worst of all economic outcomes is attempting to build a future that wilts because of pressure part-way through the process. Leading major change is not for the faint of heart or for those short on courage.

5. The strategy is unclear. When senior managers don't properly define the new opportunity within the context of audience, problem/solution, competitor set, ecosystem and other vexing strategy issues, the lack of clarity will create a brutal case of mission drift.

6. Royals arrive and dictators emerge. I've observed leaders take on an almost royal—or in some cases dictatorial—persona, with all of the attendant hubris, arrogance and carnage. Their followers took the leader's every utterance as something between a royal decree and law of the land. Every discussion in every meeting focused on what people perceived the leader to want. It was fascinating and horrifying to watch as good people deserted, as messengers of market truths were regularly executed and as the remaining organizational shell was held hostage by one person.

7. Flailing and then failing occurs. Much like Jim Collins describes in his book, *How the Mighty Fall*, at least one step on the road to ruin is the undisciplined pursuit of "more." This malady is present in all the failed transformations I've observed. When senior managers are frustrated over a lack of quick results, they'll lash out in pursuit of new initiatives. Projects are started and abruptly stopped, and new projects are heaped upon the existing overload of work. Eventually the organization grinds to a halt.

8. Trust takes a holiday. A creeping lack of trust between a firm's senior leaders is almost always fatal, and nothing kills trust faster than a team that doesn't link arms around a direction and a set of choices. My least-favorite senior leadership team refused to meet as a group because of their not-so-secret contempt for each other.

Eight Signs of Breakaway Success

1. Create organizational awareness and understanding of the new effort. I'm invoking John Kotter's dictate that "in times of change, you cannot over-communicate."

Every time a firm's senior leaders stop working at this, the cultural storm clouds emerge. Take care of it. Daily.

2. Position new and legacy efforts as equally critical but very different undertakings. The existing business pays the bills and funds the future, while the new effort strives to ensure a future. Both are critical. Share the over-arching strategy (or opportunity) far and wide; create an understanding of how the firm will execute on the opportunity and share the results, good and bad. Help your entire organization become invested in the new venture's success.

THE UNKNOWN-UNKNOWNS BITE HARD, AND IT REQUIRES LEADERSHIP TO STAND FIRM IN THE ONSLAUGHT OF FINGER-POINTING.

3. Share the cool new toys. New ventures often introduce new processes or approaches to innovation, development and market testing. Find opportunities to cross-train and cross-pollinate new approaches with legacy teams. I've seen this most often in the move away from waterfall development to an agile approach. Teams can benefit from understanding and learning to apply new techniques.

4. Recognize and manage the inertia of your legacy business in creating new opportunities to invest. Product managers will naturally identify opportunities to improve existing products and introduce new offerings into legacy markets. Marketing associates will find ways to spend their budgets in pursuit of legacy business. Rarely does the volume of development asks or marketing opportunities shrink of their own accord. Senior leaders must manage the incremental requests with a clear filter and a firm hand. Recognize that creating context for "no" on new requests is critical.

5. You get what you measure, so use the right metrics. You can't measure new ventures with the same metrics you apply to existing businesses. New ventures are about engaging innovators and early adopters, gaining feedback and then, increasing activities, pipelines and, finally, dollars and profits. We expect our existing businesses to quickly translate activities into revenues and profits, but new ventures must grow into those measures.

6. Be prepared for the "stuff happens" phase. I don't care how well you define the project and anticipate risks, something unexpected always happens. The unknown-unknowns bite hard, and it requires leadership to stand firm in the onslaught of finger-pointing and second guessing. The firm's senior leaders and the new venture's executive sponsor must fight the knee-jerk reactions and guilty-before-proven-innocent tendencies of others vying for the same resources.

7. We think, therefore we are prone to errors and traps. Use outside perspectives to challenge your strategy and assumptions. Promote outside-in discussions using target audience feedback and competitor analysis. Ask others to frame your perceived opportunity in a different way and challenge them to identify alternative approaches. Cultivate the leadership team dynamics needed to ask hard questions about insights, direction and strategies.

8. Avoid starving the new venture. One of my favorite managers often intones, "We've been doing so much for so long with so little that we can now do absolutely anything with nothing." He always gets a laugh, but it's no laughing matter when promising ideas die due to lack of care and feeding. If you're making a courageous leap to push into a new arena, back it with the people, equipment, tools and organizational support needed to improve your odds of success.

Many organizations never move beyond the core business that made them successful. They become yesterday's name brands and tomorrow's answers to trivia questions. A lot of effort is required to add something new in an existing environment. By considering ideas to improve the odds of future success—and avoiding tripping points that could destroy those odds of success—you'll help your company engage in difficult conversations, and invoke the courageous leadership required to move beyond the gravitational pull of your company's past. PM

About the Author

Art Petty is the founder of Art Petty Group where he works with high potential professionals on the executive track and with CEOs to strengthen senior management team performance. Art has decades of experience as a marketing, strategy and sales executive in software and systems. He's an avid writer on the topics of leadership and management and is the author of *Leadership Caffeine—Ideas to Energize Your Professional Development* and co-author of *Practical Lessons in Leadership*. He also writes the Management Excellence Blog and is a graduate management educator at DePaul University.

A Recipe for Servant Leadership

BY ARI WEINZWEIG

THE PHRASE "SERVANT LEADERSHIP" may sound like one of those nice throwaways they always write into the opening section of employee manuals. But please don't let any perception of passivity fool you—servant leadership is very strong stuff. If you really live it, servant leadership changes everything.

At Zingerman's Community of Businesses (ZCoB) in Ann Arbor, MI, our approach to the concept is based on a book written back in 1977 by Robert Greenleaf entitled, simply, *Servant Leadership*. It's very much worth reading the whole thing—I've gone through it in detail at least 10 or 12 times. Over the years we've worked with, adapted, and adjusted various elements of his teachings, translating them from the theoretical into the practical world of day-to-day leadership. What follows is our interpretation of Greenleaf's approach—the Zingerman's recipe for effectively implementing servant leadership.

To get you going, here's a small taste of Greenleaf in action: "[W]e should move towards a new institution that embraces both work and learning—learning in a deep and formal sense and all of the learning influence most people need. This requires a new type of leader, one who can conceptualize such an institution, generate enthusiasm so that many good able people want to be part of it, and provide the strong focus of purpose that builds dynamic strength in many. Great things happen when able leaders create these conditions." Servant leadership is, quite simply, one of the easiest ways I know to help make our organization more effective and the world a better place in the process. Best of all, it's free. You can make an enormous impact without investing anything other than your own intellectual and emotional energy.

Serve the Organization

The basic belief of servant leadership is that our job as leaders is—first and foremost—to serve our organization. To paraphrase John Kennedy's magnificent 1961 inaugural speech, "Ask not what your organization can do for you. Ask what you can do for your organization." To those who already think that way, this statement might sound obvious, or even inevitable, but in my experience, it's actually neither. In fact, in most traditional organizations the service flows in the other direction—the rest of the organization exists primarily to serve the needs of its leaders. In a servant-led world, by contrast, we do the opposite—here, *we* serve the organization. Instead of just being about the boss, servant leadership is about success for all involved.

Servant leadership is all about giving, and it's all about service. It requires that each of us come to work every day committed to doing what the organization needs done, to serve the entity as a whole even when that means that what we would like as individuals may get short shrift. It means treating those who report to us as we would our customers, not like hired help who are there only to serve our every need. It means that the more we succeed, the more we grow, the more people I get to give service to. And if I serve well, we'll likely keep growing, and then serving and growing still farther into the future.

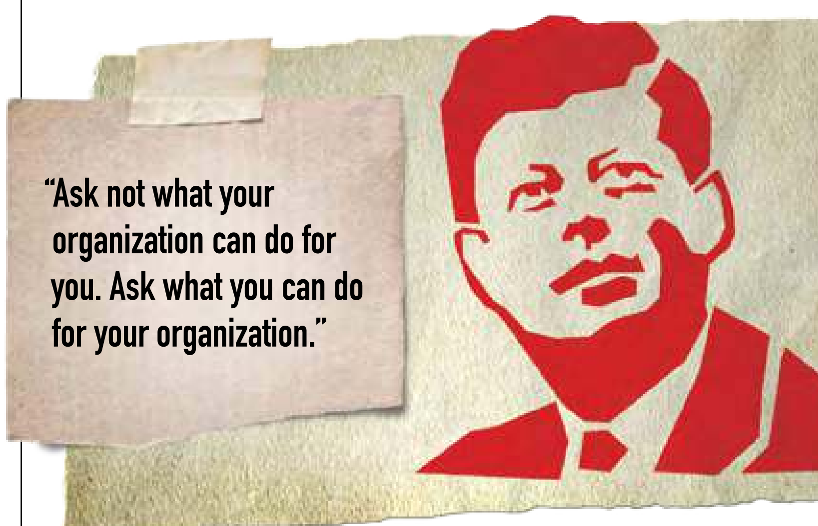
It's safe to say that, although he's hardly a household name, Greenleaf's ideas are much better known in the business world than anything ever put forward by Emma Goldman. But hearing them and living them are two totally different things. Paying lip service to servant leadership is easy, but doing it well is another story altogether. For those of us (which would be most) who were raised in a hierarchical world where success is all about earning privilege and power, servant leadership is actually completely counterintuitive.

Tenets of Servant Leadership

Seriously, to live servant leadership effectively is no small thing. It's not a hobby, and it's not about sending an annual donation to the Greenleaf Center for Servant Leadership in central Indiana. It is an entire reorientation of the way most all of us are "raised" in the work world. When we live it well, servant leadership means that:

- I, as the leader, come last, not first.
- We get promoted in order to serve more, not to be served more by others.
- We respond to staff complaints with the same sort of positive, appreciative response we would give to customers.
- It's more important for me as the boss to bring coffee to the new cashier than the other way around.
- When there's a conflict between what's right for us as individuals, and what's right for the organization, we have an obligation to do what's good for the group.
- We hire people in order to help *them* succeed.
- We lead the way in creating an appreciative workplace.

Here's how it works in practice. My major "customers" here at Zingerman's are the managing partners of the ZCoB businesses, people like Frank Carollo and Amy Emberling, the managing partners at the Bakehouse. In turn, Frank's and Amy's primary customers would be the Bakehouse managers. The managers' major customers would then be the frontline staff. The idea throughout is to keep the (positive) energy flowing *out*, towards the front-line staff. They, after all, are the ones who are dealing with paying customers and/or making the products we sell. Servant leadership means we have an obligation to make sure their energy is upbeat, available at all times to give the best possible service to customers. The better their energy is, the better our service, the better the outcome will be for the entire organization.



Paradox and Servant Leadership

Having lived it for so many years now, I think that one of the underlying requirements for successfully living servant leadership is the ability to work through paradox—people who have a hard time with it (and many do) won't, and don't, do well in this system. If you haven't looked it up lately, a paradox is "a statement or group of statements that leads to a contradiction or a situation which defies intuition." And that's exactly what servant leadership sets out to be. Quite simply, while the theory sounds straightforward, when you start to put it into practice, you'll find it's way more difficult to deal with the paradoxical realities it presents than it might seem after just a couple of pleasant-to-read paragraphs.

Getting new managers to understand servant leadership is like teaching someone who spent a lifetime playing soccer to learn basketball for the first time—it's completely counterintuitive, and much of what you did to succeed in one setting will cause you big problems in the other. A guy who spent his whole life learning to keep his hands *off* the ball, now has to learn to grab hold of it and handle it with grace for a good two hours. In soccer, when you kick the ball you're doing the right thing. In basketball, if you kick it they stop the game. If you kick the ball on purpose you get a technical foul. Kick it again and you'll probably get kicked out. Same with servant leadership. What brings success in the old-school business world would probably get you kicked off the team at the Greenleaf Center for Servant Leadership.

6 ELEMENTS OF EFFECTIVE SERVANT LEADERSHIP

CARL COLLINS/FLICKR

In 1982, co-founders Paul Saginaw and Ari Weinsweig opened Zingerman's Delicatessen near the Ann Arbor Farmers' Market. The deli got its start with a small selection of specialty foods, a host of traditional Jewish dishes and a relatively short sandwich menu. Thirty years later it has grown into Zingerman's Community of Businesses which includes seven other businesses and nearly 600 people—partners, managers and staff—and an estimated $45 million in annual sales.

1 PROVIDE AN INSPIRING AND STRATEGICALLY SOUND VISION

If the staff is clear on where we're headed, we can all avoid wasting energy on unnecessary conversation.

2 GIVE GREAT DAY-TO-DAY SERVICE TO STAFF

Three steps to great service:

- **Find out what they want.** Engage staff members, spending as much time with them as needed to get a solid sense of what they're feeling and thinking.
- **Get it for them accurately, politely and enthusiastically.** If we say that we're going to do something, we do it!
- **Go the extra mile.** Open the door for staff members, give them a thank you card, provide additional time off, etc. Extra miles aren't magic or costly, but they make a difference.

Five steps to handling a complaint:

- **Acknowledge the complaint.** The whole complaint-handling process works better when we start by letting the person know that we've actually heard what they've said.
- **Sincerely apologize.** An apology does not mean that the staff member is correct; we're just appropriately apologizing for the fact that they're upset or concerned.
- **Take action to make things right.** With paying customers, we act like they're right, even when they're wrong. That doesn't work with staff if their reality is off base or their behavior is unethical. In those sorts of situations, the key is to handle it in a respectful, dignified way and go for win-win solutions whenever possible.
- **Thank them for letting us know.** A simple, "Thanks for letting me know you were frustrated," or "Thanks for sharing your concerns. I really appreciate it," goes a long way. If they don't complain to us, guess who they're going to be complaining to? You got it—everyone else.
- **Document the complaint.** Document and share staff concerns about operational issues, leadership shortfalls or opportunities for improvement to help the organization grow.

3 MANAGE IN AN ETHICAL MANNER

It's not new news that we as leaders have a huge responsibility to actually live, not just pay lip service to, our values. We need to put those values down in writing and help our guiding principles come alive through the stories we tell.

4 BE AN ACTIVE LEARNER AND TEACHER

We ask that all managers and partners do an average of two hours of formal learning a week and at least one hour of formal teaching inside the organization each month. The more we teach, the more we learn, the more we clarify our message, and the more clearly we understand what it is we want and what we want to say.

5 HELP STAFF SUCCEED BY LIVING THE TRAINING COMPACT

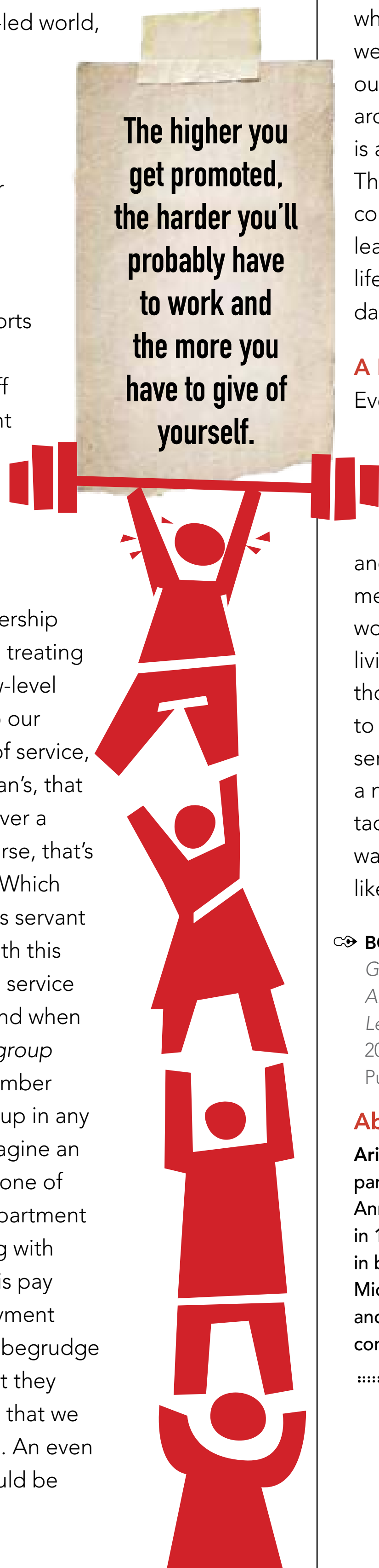
It's way easier to do a good job when you know what "good" is, when you have the tools you need to learn what you need to know, and are clear in the measurements and the rewards for work well done. Good service dictates that we give staff members all of those things from the get-go.

6 SAY THANKS

Let people know that they make a positive difference for the organization, for their colleagues and for their community.

The Toughest Paradox

Perhaps the toughest servant leadership paradox to tackle is that the higher up you move in the organization, the greater your obligation is to serve. It's simple, but counterintuitive for anyone who's been trained in the corporate world. In our servant-led world, the higher you get promoted, the harder you'll probably have to work and the more you have to give of yourself. The whole system runs completely counter to the traditional American image that "we're going to get promoted so we can kick back and reap the rewards of the efforts we made earlier in our careers, taking advantage of a large staff who's there to serve us." Servant leadership turns that idea upside down; success in the servant sense often makes our work *more* challenging, not less so.

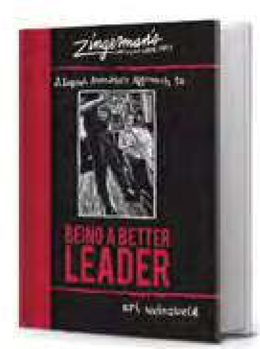


Another of the servant leadership paradoxes is that we commit to treating staff like customers (not like low-level servants brought in solely to do our bidding). In the straight sense of service, as we define it here at Zingerman's, that really would mean doing whatever a staff member asks of us. Of course, that's neither possible nor advisable. Which just makes for more paradox. As servant leaders we're regularly faced with this dilemma: When should we give service to an individual staff member and when is it time to give service to the *group* by not doing what that staff member asked? The problem can come up in any number of ways. I can easily imagine an employee asking us to transfer one of his colleagues to a different department because he doesn't like working with them. Or demanding to have his pay doubled because his house payment went up. While I certainly don't begrudge either employee asking for what they want, clearly those are requests that we can't, in good conscience, fulfill. An even tougher situation to handle would be when we find ourselves having to fire a staff member because it's become the right thing for the organization for them to move on.

One final, related paradox: servant leadership creates a setting where what we want for ourselves may conflict with what is best for the organization as a whole. Sometimes we, as leaders, have to choose to give up what we want for ourselves in the short term in order to provide more for others around us. It's hard to know where to draw the line—which is a big part of why learning servant leadership is hard to do. The old model calls for lots of straight lines, command and control, and good and bad sides to every decision. But servant leadership lives in the gray and the uncertainty that is everyday life in the real world, dictating all the while that we err every day in favor of the organization rather than ourselves.

A Different Way of Thinking

Even with all the best intentions and a lot of attention to learning, servant leadership is not a skill most people can master in a month. I think it's a whole different way of thinking. My friend Meg Noori, a poet, writer, editor, and one of the leaders in the work to transcribe and keep alive the Ojibwe language, has demonstrated for me regularly that two languages are not just interchangeable words for exactly the same things. To the contrary, the way living languages are constructed, they actually create different thought patterns, and, from those, different ways of relating to the world and of speaking, writing and working. Similarly, servant leadership is its own business language. It's not just a nicer way of talking about being in charge or a more polite tactic for taking power. Servant leadership is a wholly different way of relating to the organization and the people in it. And, like Robert Greenleaf, I think it's a better way. PM



Order a copy of the book at zingtrain.com/books-and-dvds

About the Author

Ari Weinzweig is co-owner and founding partner of Zingerman's Delicatessen, an Ann Arbor, Mich., institution established in 1982. He is a frequent guest speaker in business classes at the University of Michigan and Eastern Michigan University, and at various food and business conferences in the U.S. and abroad.

A PRAGMATIC APPROACH

Put this issue's ideas into action.

Address All the Needs

Effective product plans address market needs and support the company's growth strategy.

Bill Thomson

page 9

Optimize Investments

Analyze the shape of your business by looking at customer count, revenue and profits.

Jon Gatrell

page 11

Deliver What Customers Want

Talk to customers and stakeholders often to ensure you're building the product they expect.

Robert Boyd

page 13

Work Backwards

Don't start with a product idea and imagine how your customer will use it; start with the customer.

Maggie Hibma

page 17

Make Nice

Handle angry customers well and you'll learn from their perspective and earn their respect.

Jonathan Levene

page 21

Get Rid of It

If a user story doesn't have a who, what and why, delete it.

Felix Sargent

page 25

Sell Value Not Price

Create sales tools that highlight your company's value.

Neil Baron, Dave Burrows and Bill Cohn

page 28

Talk to Your Exes

Former customers provide valuable insight into mistakes and gaps in service.

Ryan Glushkoff

page 31

Switch Gears

Nurture growth categories differently than you manage a legacy business.

Art Petty

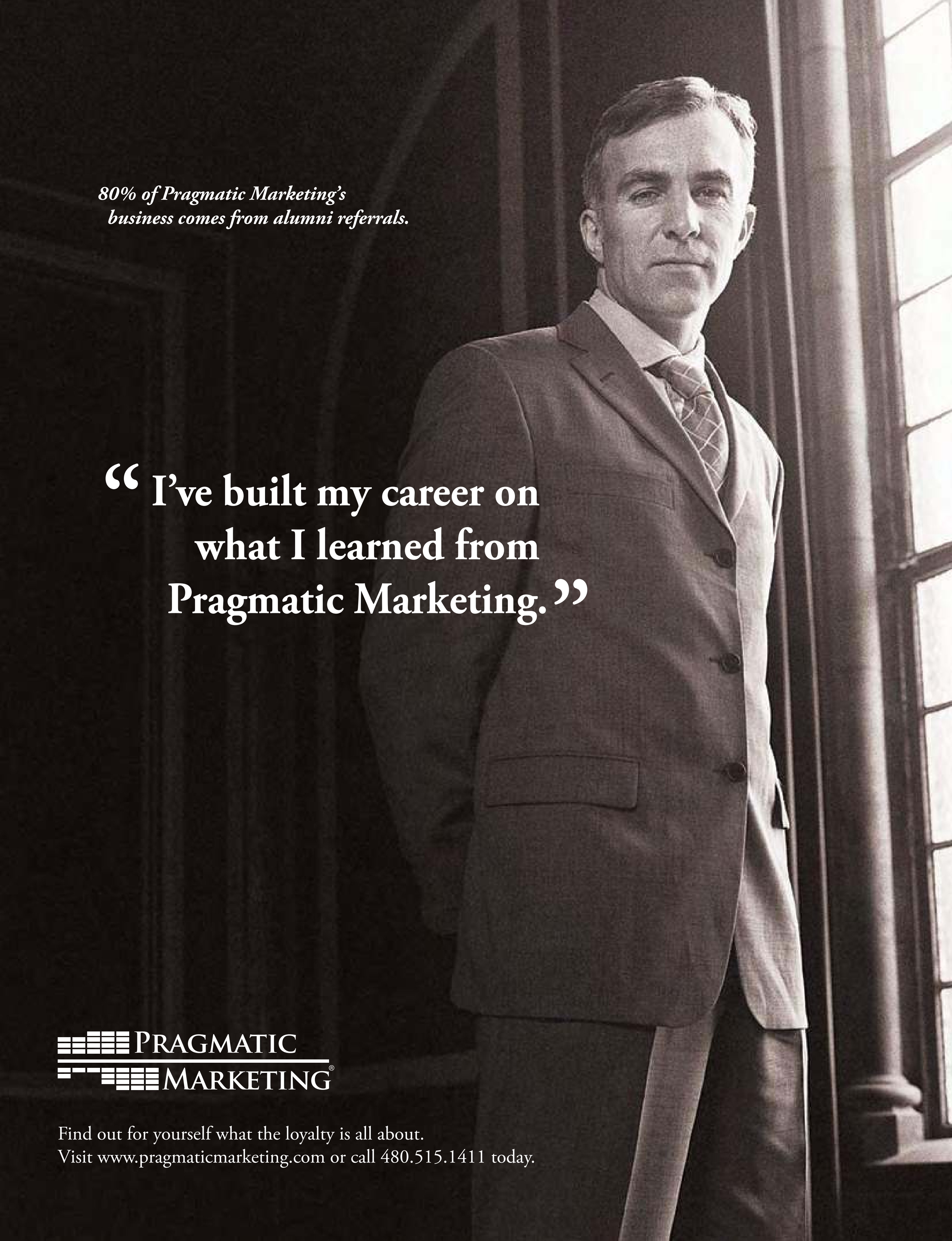
page 32

To Lead Is to Serve

The higher up you move in the organization, the greater your obligation is to serve.

Ari Weinzweig

page 39



80% of Pragmatic Marketing's business comes from alumni referrals.
"I've built my career on what I learned from Pragmatic Marketing."
PRAGMATIC MARKETING®
Find out for yourself what the loyalty is all about.
Visit www.pragmaticmarketing.com or call 480.515.1411 today.

Practical Training. Proven Results.

Pragmatic Marketing offers a complete curriculum designed to help companies build and market products that sell. Our courses provide real-world insights, actionable best practices and proven tools that will maximize your impact.

So, whether you are responsible for determining what should be on the shelf, or how to make it fly off the shelf, we have a course for you.

Foundations
Implement a proven, practical blueprint for being market driven.

Focus
Use market data to identify and present the right product strategies.

Build
Align product and development teams to build remarkable products.

Market
Focus your team on the marketing strategies that deliver results.

Launch
Elevate your team's product and marketing launches.

Price
Set the right price for each product in each market.

For more information about these courses or our executive offerings, visit **www.pragmaticmarketing.com** or call **480.515.1411** today.

To determine which courses are right for you click on the video below or go to pragmaticmarketing.com/PragmaticCourses

PRAGMATIC MARKETING®