the Pragmatic

FALL/WINTER 2020

PRODUCT DESIGN

Product Design AND
Product Management

Think of your favorite products. What do they have in common?

THEY SOLVE A PROBLEM, and they work in a way that makes sense.

Whether it's the Ring security system, your favorite Apple product or, say, the Nintendo Switch, products like that don't just happen. Their innovation, their success is by design. Often, quite literally.

That's because these products represent the power that comes from the successful alignment of product + design.

Product teams focus on finding the right problems to solve; design teams on creating solutions that meet (and exceed) users' goals. In many ways, these problems and goals are sides of the same coin—the problem is the driver, the goal is the desired end state after the problem is solved. The two functions have such clear parallels in both their objectives and the market-centric way they approach them, you would think alignment would be easy. Yet, in far too many companies we see these functions fail to partner (or do so effectively) The cost: everything from speed-to-market to time-to-value and customer loyalty.

So, we decided to do something about it.

First, in this issue of *The Pragmatic*, we tackle how and when these functions should work together, and we've got a great example of this partnership in action at Quantum Health.

Next is our newest course, *Design*, announced just this month. *Design* was developed by leading practitioners in both the product management and design spaces. It combines the vast experience of our established team of Pragmatic product instructors with the two newest members of our instructional team, both experienced product designers, consultants and trainers who joined us straight from Cooper Professional Education. And, in typical Pragmatic fashion, we hit the issue head on, providing a common language, actionable best practices and proven tools and templates that can be immediately implemented.

I hope that you enjoy this issue and that it leads you to re-examine the way you leverage your design resources to ensure that you create the most innovative, intuitive solutions to your market's problems.

Stay safe and stay healthy,
Rebecca Kalogeris

P.S.—Don't forget to take our annual product survey >

Got thoughts on how we should evolve the magazine or ideas for topics? Reach out to editor@pragmaticinstitute.com.

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Contents

Founded in 1993, Pragmatic Institute is the world's leading authority on product management, product marketing and data science. The company's courses—taught by accomplished product professionals with real-world experience—are based on a proven framework for creating market- and data-driven products people want to buy. With more than 150,000 alumni around the world, Pragmatic Institute has created one of the largest and most prestigious product communities in the world.

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A Pragmatic Peek

Investing in customer experience

58%	**35%**	**42%**	**43%**	**66%**
Improved Websites	Seamless Communication	New Contact Center Technology	Providing New Channels	AI Channel
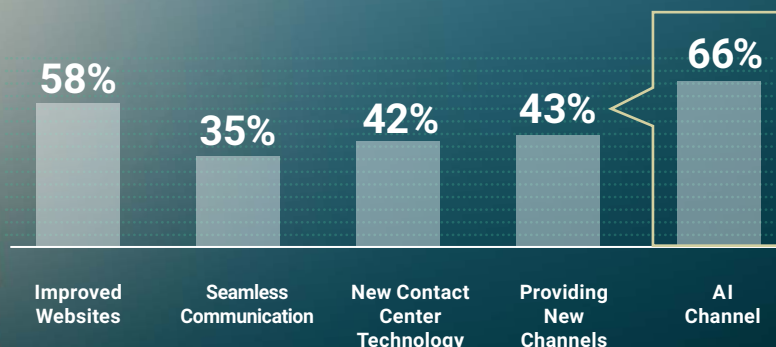
Businesses Increase Investments in Digital Channels, AI

More companies are moving toward self-service channels for customers, reflecting the growth of digital-first experiences for fostering loyalty and advocacy.

The 2020 NICE inContact Customer Experience Transformation Benchmark found that 62% of contact centers saw an increase in digital interaction volume during the pandemic. This year also saw significant growth in contact centers offering online chat (73%) and mobile apps (56%) — an increase of 6 and 8 percentage points, respectively, since 2019.

In 2021, companies plan to improve the customer experience by focusing on their websites (58%), access to new channels (43%), new contact-center technology (42%) and improving seamless communication (35%).

Additionally, 66% of respondents said they use at least one AI channel, up from 50% in 2019. And, while more businesses today agree that chatbots make it easier to resolve customer issues, 90% of respondents said chatbots need to get smarter before customers will be willing to use them regularly.

"Digital is a fundamental part of customers' lives," said Paul Jarman, NICE inContact CEO. "If you're not available in those channels and offering effective and efficient service in them, customers will take notice."

▶ **Pragmatic Take: Consider your users and their experience when developing or updating your products and services.**

Keeping Humans at the Center of Digital Transformation

The human factor is widely recognized as an essential component of digital transformation success. Despite this, 27% of companies say users often are overlooked when planning and executing transformative projects, according to research from global enterprise application company IFS.

Businesses are so focused on implementing key technology and solutions, they don't consider the importance of buy-in and acceptance from users, the research found.

"We have always known that people can act as both an enabler and a barrier in transformation projects," said Jane Keith, chief human resources officer at IFS. "This report drives home the point that, if digital transformation is kept human-centric, change management is handled effectively and employees are aware and inspired to support the transformation, the business is much more likely to reap success. Staff involvement should not be seen as just a tick-box exercise, but as the secret sauce that will ultimately determine the outcome."

▶ **Pragmatic Take: Buyer personas aren't for whom you develop products. Build strong user personas and always keep them at the center when developing, designing and delivering your products.**

Digital Resiliency Needs Lead to Increased Tech Investments

The COVID-19 pandemic forced companies to increase their investment in digital resilience so that they can not only adapt rapidly to business disruptions by leveraging digital capabilities to restore operations, but also capitalize on new conditions.

Businesses also have prioritized or accelerated their adoption of cloud, collaborative and digital transformation projects. Security also has been top of mind, driven by the shift to more remote work and accelerated cloud adoption, according to the Digital Resiliency Investment Index from International Data Corporation (IDC).

"As the COVID-19 crisis has shown, the ability to respond quickly and effectively to unexpected changes in the business environment is critical to an organization's short-term success," said Stephen Minton, vice president in IDC's Customer Insights & Analysis group.

The focus on resiliency has increased as organizations have realized the importance of being prepared for future business disruptions. As such, IDC expects digital resiliency spending to accelerate in 2021 as the global economy improves.

"The next several months may put increased pressured on some organizations to respond to second waves of COVID infections and economic lockdowns," Minton said. "Digital resiliency in the next 6 to 12 months will to some extent reflect the speed at which others were able to pivot their tech investments in 2020, even as overall budgets were constrained by economic uncertainty."

▶ **Pragmatic Take: Take an outside-in approach to world events and be ready to pivot to meet customers' needs.**

> " Digital resiliency in the next 6 to 12 months will to some extent reflect the speed at which others were able to pivot their tech."

Data Analytics Take Center Stage for Business Leaders

Organizations across private industries rely more on data and analytics to better understand and react to the continuously changing global business landscape, according to a research report commissioned by Teradata.

The onset of the pandemic put a spotlight on the need for information—and exposed how data can be inconclusive, misunderstood and abused. The weakness and missteps of data use have resulted in closer scrutiny around data accuracy and trust as well as a concern that a lack of cloud resources is affecting decision making, according to 77% of IT decision makers who responded to the research.

"COVID-19 has completely upended the roadmaps of businesses across every industry, forcing leaders to re-evaluate how they view, use and maximize data to pivot and re-establish the path forward," said Steve McMillan, Teradata president and CEO. "The companies that will survive—and ultimately thrive—will be the ones that realize data is a key asset for recovery and a competitive advantage to drive the future of their business."

▶ **Pragmatic Take: Leverage data to both identify the most profitable projects for your organization and to position your initiatives to leadership.**

> " COVID-19 has completely upended the roadmaps of businesses across every industry, forcing leaders to re-evaluate how they view, use and maximize data to pivot and re-establish the path forward."

Q: The Designers I Work with Keep Asking Me to Bring Them in Earlier. Should I?

AT PRAGMATIC INSTITUTE, WE'VE worked with tens of thousands of product managers, product marketers and product owners, and we've consistently heard questions about how and when they should interact with their counterparts in design. Like many product questions, the answer is: "It depends." The first step is understanding and empathizing with the designer's world, which will inform your interactions.

Like product managers, designers crave early involvement. Both product and design are outside-in disciplines by nature and have created their own terminologies and frameworks to that end. For product, we have the Pragmatic Framework; for design, there are practices like design thinking. Thankfully, these approaches are highly compatible and even complementary.

Paul Young, PMC-VI,
Pragmatic Institute
Instructor

There are benefits for product managers who integrate designers early in their processes. First, designers with research skills make excellent interview partners. Just as Pragmatic Institute trains product teams in NIHITO-style qualitative research, many designers are trained in ethnographic research methodologies. When you pair up, this potent combination of business and user understanding helps detect and validate problems that are highly urgent, pervasive and which the market is willing to pay to have solved.

Second, designers with an early understanding of users and their problems are excellent assets for product managers in framing and reframing problems and ideating solutions. Often, designers see how problems connect in unexpected ways, sparking more creative ideas for solving them.

Finally, involving design early helps the product team create a stronger strategy. When you develop a deeper understanding of user problems and envision more innovative solutions, you identify risks and costs faster and focus on the most important areas for your market and personas.

> For product, we have the Pragmatic Framework; for design, there are approaches like design thinking. Thankfully, the ideas contained within are highly compatible and even complementary.

Ultimately, both product managers and designers work toward bringing a product to market. While these roles may trade off who takes the lead at different points on that journey, their efforts serve the same goal: building solutions that resonate in the market and meet business objectives. The best way to accomplish this is to take advantage of each other's strengths. So, look at your design peers as some of the strongest assets available to you—collaborate early and often! **P**

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FROM THE
'BLACK BOX' TO TH

Advancing Product Management and De

BY SHANNON MCGARITY, PMC–III, AND JIM DIBBLE, PMC–III

"I'M NOT SURE I UNDERSTAND THE ROLE OF PRODUCT MANAGER, AND I'M CONFUSED BY WHAT TO EXPECT FROM THEM. SOME TREAT US LIKE 'MOCK MACHINES' WHILE OTHERS SEE US AS STRATEGIC PARTNERS."
— DESIGNER

"THE DESIGN PROCESS IS TOTALLY FOREIGN TO ME. I DON'T KNOW WHAT INPUTS WILL HELP OUR DESIGNERS DO THEIR BEST WORK."
—PRODUCT MANAGER

FOR MANY PRODUCT MANAGERS, design can feel like a black box: provide the designer with information about the customer's problem, wait a while and—voilà!—creative work issues forth. Sometimes the output is amazing, elegant in its intuitiveness. But sometimes the output doesn't even approach the product manager's expectations, creating a sense of frustration and wasted time. How did the design go off the rails, and how can both teams work together to get it back on track? Without mutual understanding and a focus on collaboration, it's harder to reach successful outcomes.

Similarly, the role of product manager can mystify designers. How do product managers prioritize their decisions and balance different factors to home in on a product direction? What methods do they employ to gather user insight, and how does empathy play into that process? Inconsistent experiences with different product managers can contribute to designers' confusion around roles and frustration around collaboration. This "black box" understanding of each other's functions can create real problems, like poor communication and lack of trust, and result in inferior product outcomes.

HE SANDBOX

esign Collaboration

MOVING FROM THE BLACK BOX TO THE SANDBOX:
A SPACE TO BUILD NEW THINGS TOGETHER

How did we get here? For one, we've reached this crossroads from different paths, bringing along varied skills, vocabulary and perspectives that muddy the waters of understanding. Plus, organizations often oversimplify the separation of roles and responsibilities. This lack of nuance and an emphasis on ownership can contribute to an us-vs.-them mentality.

By breaking down walls and learning about our partners' processes, we'll find the key collaboration points that increase productivity and successful outcomes.

DESIGNERS AND PRODUCT MANAGERS HAVE A LOT IN COMMON

In their ideal states, both design and product management take an outside-in approach to problem-solving. Over the years, both practices have evolved to better understand buyers and users, concentrating on research and problem-framing before building solutions. However, these practices evolved in parallel, resulting in somewhat different approaches to identifying, articulating and solving market problems.

Both practices have also found greater influence within the industry. Neither wants to give up their focus on understanding user problems—and they shouldn't have to! There's strength in multiple perspectives. Each group has superpowers that, when combined, act as a force multiplier for the products they work on. But first, they must understand each other better, applying the same curiosity that serves them in research to their cross-functional relationships. For product managers, let's start by peering into the black box of design.

WHAT DESIGNERS CARE ABOUT
(Spoiler Alert: You Care About These Things Too!)

Understanding People and Their Problems

To do their best work, designers crave a deep understanding of their target users. As Shannon likes to say, "Good designers often begin their work with a deep knowledge of design patterns and best practices, coupled with an intuitive sense of empathy. Over time, good designers become great by developing a rigorous curiosity about people."

Designers apply empathy to step into the user's shoes when imagining potential solutions. To activate their empathic powers, designers need deep user context: where the user is situated, what goals the user wants
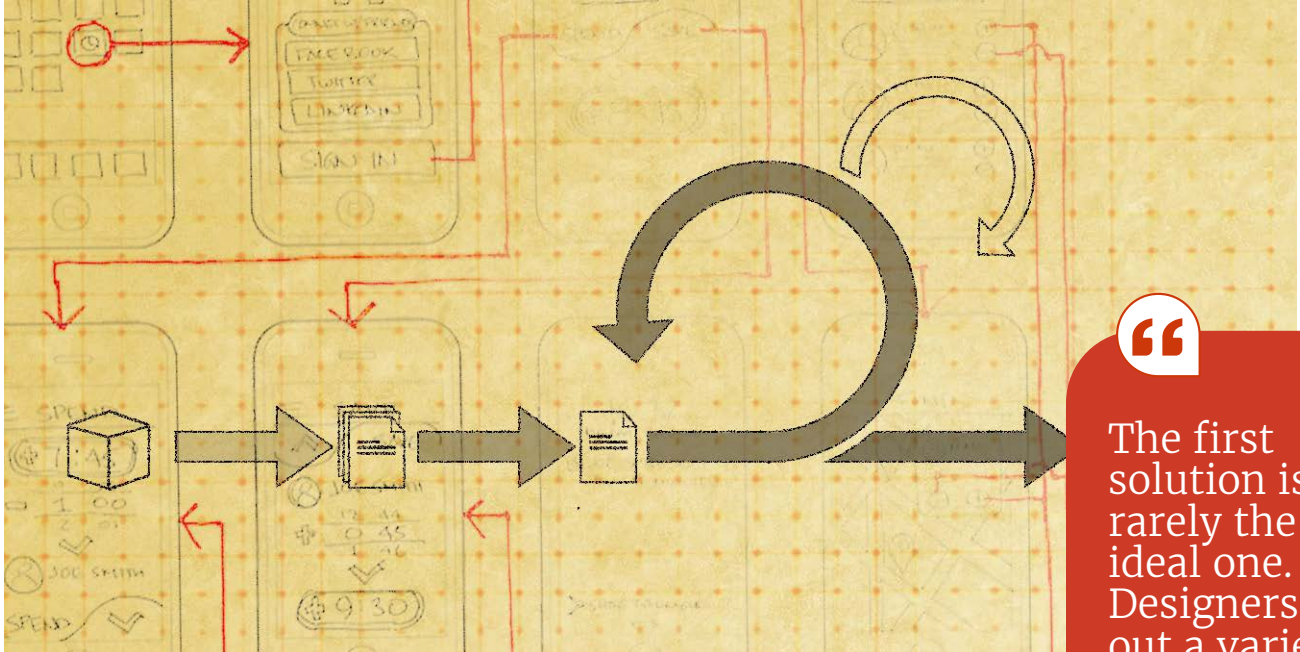
> "The first solution is rarely the ideal one. Designers try out a variety of ideas and permutations before selecting the right one."

to achieve, who the user must collaborate with, what the user currently understands, and what decisions and actions the user needs to take with the information at hand. This desire for context frequently shows up as a request to be "brought in earlier in the process." Translation: Designers want to be included in discovery or given rich context on the user.

Framing Problems Before Jumping to Solutions

To explore problems that have been identified and prioritized, designers employ problem-framing techniques. These techniques inspire the generation of innovative solutions and offer criteria for evaluating those solutions. A well-framed problem helps designers activate their creative talents. So, designers may want to collaborate with product managers on reframing the market problems they have been given.

Exploring Multiple Potential Solutions

Experimenters at heart, designers pinpoint the best ideas by generating a multitude. Knowing that the first solution is rarely the ideal one, they try out a variety of ideas and permutations before selecting the right one for the job.

There are specific methods for exploring alternatives individually as well as techniques for groups to generate and evaluate multiple ideas before settling on one. You can take advantage of this skill by dedicating time in the schedule for this approach.

Narrative and Storytelling

It's common for both designers and product managers to use narrative and storytelling during product development. When it comes to designers, they craft stories in their heads to help them think through how the user might approach a product or a feature. These narratives are the easiest, cheapest form of prototyping: A designer can write a story that explains how the product helps the user solve a problem, stitch together multiple features into a coherent whole and use it to get others' feedback—all before committing to build it.

Stories are also a compelling way to present work in progress, communicating the user's perspective and ensuring the product experience is optimized for their goals.

Feedback and Refinement

Designers need feedback from colleagues and users on their designs in order to continually refine the solution to achieve the best possible fit. While they try to approach the problem from the user's perspective, they may overlook some aspects of the problem in their solution. By giving productive feedback—grounded in the user's context and problem—you help refine the solution.

WHAT DESIGNERS WONDER ABOUT PRODUCT MANAGERS

Business Expectations

Designers are used to adopting the user's perspective, but only a select few have deep grounding in business strategy. How can you provide a deeper context on the business goals you want to achieve to ensure the alignment of user and business needs?

Prioritization Approach

How do you decide what problems to solve and solutions to employ? In what ways do you balance market data, business objectives, user needs and technical considerations when choosing a path forward? Describing how you weigh these factors and, if possible, including them in the process (so they can see firsthand your rigor in understanding and prioritizing market problems) will help designers understand and buy into your decisions.

Data Sources

Product designers and researchers are steeped in user research practices. Consider partnering with designers on NIHITO user research: You'll reap solid insights, and your designers will be fortified with the deep user context that inspires great work. Designers are less likely to be experienced in buyer research, so share your buyer insights with them, especially in cases where the buyer's objectives might seem to conflict with the target user's needs.

How You Like to Collaborate

This is the real black box for designers. Some product managers hand off interface sketches with a request to make them real. Others define the problem and simply hand it to the designer to generate the solution. Some are looking for a happy medium: product frames the problem, collaborates with the designer to find a solution direction, and then leaves it to the designer to perfect the details, with conversations along the way. Start a dialog with your designer about how you both prefer to collaborate, and select a model that makes sense for your working styles, business environment, personalities and project priorities.

How You'll Negotiate Conflict Together

Conflict is inevitable, especially when you're approaching the same problem through different lenses. Making a plan for overcoming conflict ahead of time will minimize the potential stress in your relationship. What happens when the best solution for the user doesn't address your business objectives? How will the two roles bring this up and work toward a resolution that satisfies all needs? What's your plan for identifying conflict early, leaving you both enough time to resolve it?

AN EXPANDED VIEW OF COLLABORATION

The only way to understand each other is to work together more intentionally. Partner to set up consistent spaces to play in the sandbox together throughout the process—with the necessary tools to achieve alignment.

Create collaboration points as mechanisms for deeper communication and idea sharing. The key is *meaningful* collaboration. Everyone is busy, so you'll all want to be intentional about crafting the right cadence for partnership. Avoid getting sucked into the "quicksand" of over-collaboration.

Finally, it's good to remember that conflict can have its benefits. You can mine diamonds from the pressure of divergent perspectives. (See "Building Product Strategy with Design Thinking" on page 12 to learn how one product leader set up his team to create this very phenomenon.)

Moving from the black box to the sandbox will require transparency, communication and effective collaboration. While a focus on relationship-building may require a small time investment up front, it will pay dividends in the quality of the products you deliver and your team's efficiency in achieving those marke winning, delightful solutions.

> "Conflict is inevitable, especially when you're approaching the same problem through different lenses."

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Building Product Strategy
WITH DESIGN THINKING

BY ERIN THIBEAU

DAVID WESTFALL WAS FIRST EXPOSED to design thinking—the human-centered approach for problem-solving—while working at Intel. Through Intel Research, he co-led a lab at Carnegie Mellon that generated several exciting ideas and solutions. Then, working with a group of Carnegie Mellon students across computer science, business and design, he leveraged design thinking to choose which ideas he would feed back to the technology giant.

Westfall and the team worked collaboratively with researchers to explore new product or business opportunities that could be generated. The designer led the evaluation session, "leveraging many of the tools of design thinking, putting that human at the center of the conversation and asking, 'If we understand a person and some of the challenges they're facing, how could some of these ideas help them achieve what we're trying to do?'" Westfall said.

It was a striking shift in thinking for Westfall, who is now vice president of product solutions and strategy at Quantum Health.

"The design process opened my eyes to really understanding what I call the 'need, want and desire' of a human being to 'get a job done,'" he said. Since the lab, Westfall has brought design thinking into each of his product roles. "These principles apply in every setting I've been in."

BUILDING A PRODUCT STRATEGY TEAM

Eight months ago, the product solutions and strategy group didn't exist at Quantum Health. Starting with a clean slate, Westfall built a team that reflects a wide diversity of thought.

For example, his product design leader has a master's in human computer interaction—and used to be a librarian who studied Shakespearean drama and knows how to tell a story. Another team member has a background in both qualitative and quantitative data. Rounding this out, his team includes members with health care, industry and consumer experience.

David Westfall

With their unique perspectives and experiences, they challenge each other to come up with the best ideas.

There also are "experience owners" on the team: They don't own an individual product; rather, they own the experience they're trying to deliver through a suite of products. For example, which products and services will create an experience that meets customers' needs? Running across this group of experience owners is design. The product design leader asks what the user needs, wants and desires, then distills the ideas down to what is of core importance to the user based on what they want to accomplish.

MERGING THE PRAGMATIC FRAMEWORK WITH DESIGN THINKING

Every initiative the product solutions and strategy group undertakes begins with design thinking to ensure the solution meets the needs of the human being at the center. Depending on scope and size, the product team kicks off a design thinking sprint, lasting anywhere from a few hours to eight weeks.

A kickoff session might include employees from marketing, sales, software engineering, operations, product and design. Expanding the pool of perspectives means the team can capture as many different ideas as possible. "I actually view the conflict of ideas as the creative process to getting you to the best solution," Westfall said.

From the design thinking sprint, smaller groups of five to seven people dig into the value propositions or problem statements that surfaced, with the Pragmatic Framework serving as a gating process. Each box in the Framework goes into gate one, two or three (from strategy to execution). These gates force the team to stop and ask if, based on what's known, it makes sense to move forward. Within these boxes, the team answers key questions (e.g., Do I have a business plan?), attaining greater levels of specificity at each gate.

Throughout the exercise, design thinking never stops, Westfall explained, as it's the key to ensuring the team is aiming in the right direction. Design thinking helps him iterate, develop business plans, identify partners and craft the sales strategy—all with the human being and what they need to do serving as his North Star.

It's during this iterative process—from flash cards of value statements to a vision of what the solution will be—where his team

> "The conflict of ideas is the creative process to getting you to the best solution."

sees the most value. Westfall asks the team to present ideas with compelling visuals and proofs of concept.

"If a picture is worth a thousand words, then a live demonstration of the product is worth a thousand meetings," he said.

Westfall doesn't draw clear lines between the "what, who, how and why." He focuses first on understanding the "why." "The 'what' is the physical manifestation of delivering on that 'why,'" he said, "and the 'how' is the creativity of 'how are we going to do that?' When you can articulate the 'why,' then the 'what' and 'how,' then the story and the value that story brings become clear in both your strategy and product."

The heart of Westfall's role is honoring what Quantum Health has achieved: taking the company's core competencies and building needs, wants and desires around them. "If you keep design thinking at the center, you can understand the appropriate application of your products and technologies in the context of the strengths your organization brings."

Rather than focusing on the latest technology, which is like building your house on a sand foundation, Westfall advises product managers stay focused on human beings through the lens of design thinking. "The design process gives you the visuals and ability to tell the story of the value your products and services will bring." ⁑P

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You can find **David Westfall** in the Pragmatic Alumni Community, for which he is a founding member, or connect with him on LinkedIn.

Want to share how you have leveraged the power of design in product management? Email Erin Thibeau and you could be featured on Pragmatic Institute's digital channels.

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PRODUCT MANAGER
—VS—
PRODUCT OWNER

The Cage Match Continues

BY DAVE WEST

N A 2016 PRAGMATIC INSTITUTE WEBCAST, John Milburn and I discussed the differences and similarities between product managers and product owners. We used the analogy of a cage fight to highlight how the roles are wrestling for position in the responsibilities of leading product development.

We concluded that, while it takes a team to build a great product, there needs to be one person who makes final decisions about the product's direction. And that can be the product manager or the product owner— the title doesn't matter, but the accountability does.

The initial audience for that webinar was massive, and it continues to be a popular playback. But has anything changed in four years?

PRODUCT MANAGEMENT AND SCRUM

Conduct a Google search of "Scrum and product management" and the results reflect articles about how:

- Scrum is a real problem for good product management

- Scrum ignores complexity and focuses on delivering products—even if they're the wrong products

- The idea of a done increment—when the increment is complete and useable at the end of a sprint—is great, but it misses all the other "product" work that a great product team must do

You'll also notice that practices like user experience and design thinking are relegated to a magic zone outside the confines of the sprint itself

The disconnect between the product and Scrum communities is odd. Both seem to challenge industrial thinking with the need for frequent observation and feedback. Both dismiss the false reality of detailed plans when managing complex work. Both encourage learning and engagement. Dig deeper, though, and this distrust seems to be a result of two challenges:

1. **Product decisions being made by the right people.** Scrum and Agile encourage self-managed teams that are focused on a goal and empowered to make decisions in pursuit of delivering value. That means that some traditional product management activities can—and should—be taken over by the team. This can lead to conflict between the "development" team and the product manager.

> **"** It takes a team to build a great product, but there needs to be one person who makes final decisions."

2. **Done increment is not always good for the product.** Scrum was born out of the realization that waterfall, with its focus on documents and tasks, was not actually delivering software. In response, Scrum placed special emphasis on delivering done incremental changes to the product. Scrum even includes a "definition of done" that highlights the level of quality, documents and signoffs required for something to truly be done. But software or product changes are not always the most economical way to build learning. Sometimes the team needs to build prototypes, conduct surveys, talk to customers and even do research. The balance often leads to conflicts between product professionals who want to learn and Scrum people who want to deliver.

YES, AND …

It's always interesting to see the polarization of two well-intended ideas. Both communities care about frequently sharing learning, involving the whole team in value generation and engaging with stakeholders to gain insights and re-plan. But the reality of complex work is that each situation is different, meaning that absolute decisions about who does the requirements or how much product work is done in a sprint varies based on the situation. Let's tackle both challenges.

Product Decisions Being Made by the Right People

The flow of work and decision making in a product team is complex. Decisions are made on the micro and macro levels throughout—and at surprising times. For example, say you are working on a product backlog item about reporting. Nothing can be simpler, but perhaps the needs of the report change the timing of the engagement with the customer and the information captured. Suddenly, a little report requires decisions throughout the product architecture, not just in the reporting section. Who makes those decisions?

Scrum dictates that a developer would make this information transparent to the Scrum team and the team would work out what to do. The team is empowered to make the decision about the work (unless that decision puts the sprint goal at risk). But isn't this decision so big that the product manager or product owner should make it? Or should it be escalated to management?

Here's the reality: The product owner is on the Scrum team, and the Scrum team is working in a bound-problem space and timeframe that is defined by the sprint. The sprint has a goal and a fixed duration of fewer than 30 days. These guide rails provide freedom for self-management, as they reduce the risk of mistakes. They also ensure that the team is managing against the goal as insights are made.

In the backlog report example, the team has some decisions to make regarding scope (does the report really make sense? Is it asking for too much?) and impact (what does this mean for the other items required for the sprint goal?). The worst that can happen is that, when this item is presented at the sprint review, the stakeholders say the decisions they made were wrong, and that means reframing the next sprint based on that information.

Of course, the team can check with subject-matter experts if they are available throughout, but the important concept that Scrum enforces is that the Scrum team stays focused and isn't waiting around for decisions to be made. Make things transparent. Look to the guide rails of the sprint. Make a decision and move on. Or, in rare cases, stop the sprint and take a step back.

> **"** *Everyone* must have an appreciation for the goal and a desire to understand the customers, buyers and investors.**"**

In the broader product development and agile communities, the idea is that the team members are T-shaped, with the top of the T representing a broad skillset and willingness to try things. This means *everyone* must have an appreciation for the goal and a desire to understand the customers, buyers and investors. This requires product people to lead, educate, coach and mentor teammates to help them make the right decisions and understand the impact.

Mistakes will happen. But Scrum encourages transparency and safety, allowing for those mistakes to be taken as learning opportunities. If you want a more flexible and agile team, you must empower people to make decisions and spread knowledge and support to ensure that those decisions get better over time.

The Role of the Done Increment

Though Scrum is used in many different industries, its history lies in software development. And software development has a history of not delivering or delivering low-level quality. That's where the idea of delivering done software was born. But the idea of done is more than just an antidote to poor software development.

By encouraging teams to work on delivering "product-ready" software, not only did teams deliver working software faster and more frequently, they also repeatedly proved what it takes to deliver that software. The economics, risks and impact of that work were being better understood, which, in turn, helped improve the choices being made on which capabilities to deliver. You learn as you build stuff, and that helps you decide what to build next and how to build it most effectively. Also, if the increment is part of a much larger and complex business process, the impact of this change will provide much better insights because other things will break or work differently

Of course, delivering working software is expensive and time-consuming. And, for requirements of high uncertainty, building it into a production-ready product is not the right decision. Building prototypes, surveying customers and doing research all have value and can be used at the right time and in the right form.

Each Scrum team should look at balancing the need to incrementally make product progress with the learning required to do it right. The product owner needs to help make those tradeoffs by working closely with the team. Questions like, "Can we validate that assumption quickly and cheaply?" should be asked of the capabilities being developed. And that may mean that there is little work being done on the increment. However, that choice must be balanced with the experience you only get from delivering "stuff" to production.

The great thing about Scrum when working with a great product person is that balance can be achieved in a transparent way. Developers (the people doing the work) are empowered and supported to help the product manager/product owner make those tradeoffs. Tools like design thinking and lean UX help everyone involved in product development to think more clearly about the customer and understand their needs.

BALANCING RISK IS IMPORTANT FOR SUCCESS

Scrum was developed to focus on incrementally delivering value in a complex or unknown environment. The discipline of product management is a collection of practices that define, develop, maintain and market the product. The combination of these two worlds can only benefit the product and its customers, owners and stakeholders.

Tension points should not be treated as opposing forces, but, instead, as an opportunity to explore the intent and find some level of equilibrium and balance. The ultimate enemy is neither Scrum nor product management, but the outmoded concepts of industrialism and waterfall thinking.

Modern product development is executed in a world of unknowns, with complex tradeoffs, imperfect decisions and, oftentimes, a real lack of information. By using the ideas of product ownership within the Scrum framework, product managers can effectively deliver value. Product management brings to Scrum teams a broader view of the risks and challenges of delivering great products. Combine the two and you get the opportunity for greater success, but it will come with friction and decisions to make. I recommend that you embrace that friction—and use it to drive the whole team toward a better product. ⊠P

About the Author
Dave West is CEO and product owner at Scrum.org. Connect with him on LinkedIn.

> "Tension points should not be treated as opposing forces, but, instead, as an opportunity to explore the intent and find some level of equilibrium and balance."

WALKING HAND -in- HAND

BY JIM GREER AND LARRY SCIPIONI

Partner with Customers for Lasting Success

About PVD Products

PVD Products Inc. is a leading manufacturer of custom thin-film deposition systems. Customers use these systems to deposit a range of materials in thicknesses as low as fractions of a nanometer onto a variety of objects. This exacting process is critical for developing many important products and technologies—from medical devices to semiconductors, and from military radar systems to alternative energy.

T WAS 2017 AND, BY ALL MEASURES, we should have been very pleased with how things were going. After more than 20 years in business, our company had a superb reputation and a loyal base of customers that ranged from high-profile universities to the R&D laboratories at small tech startups and Fortune 500 companies.

Despite our success, we were restless. We had deep and unique expertise, and we customized our products to meet the extraordinarily complex needs of our customers. Our experience and business sense told us the market opportunity for our products was going to grow quickly, but we also knew we had opportunities for improvement in two key business areas: sales and marketing.

When we attended industry tradeshow events, we frequently spoke with prospects who shared their struggles to get other vendors' systems to work for their company's specific requirements. As we listened, we realized that our products would have been a better fit. Inevitably, we left these conversations asking ourselves, "Why didn't they know about us?"

With a clear understanding that we needed to focus more energy on sales and marketing, we sat down and identified four

> Inevitably, we left conversations asking ourselves,
>
> 'Why didn't they know about us?'"
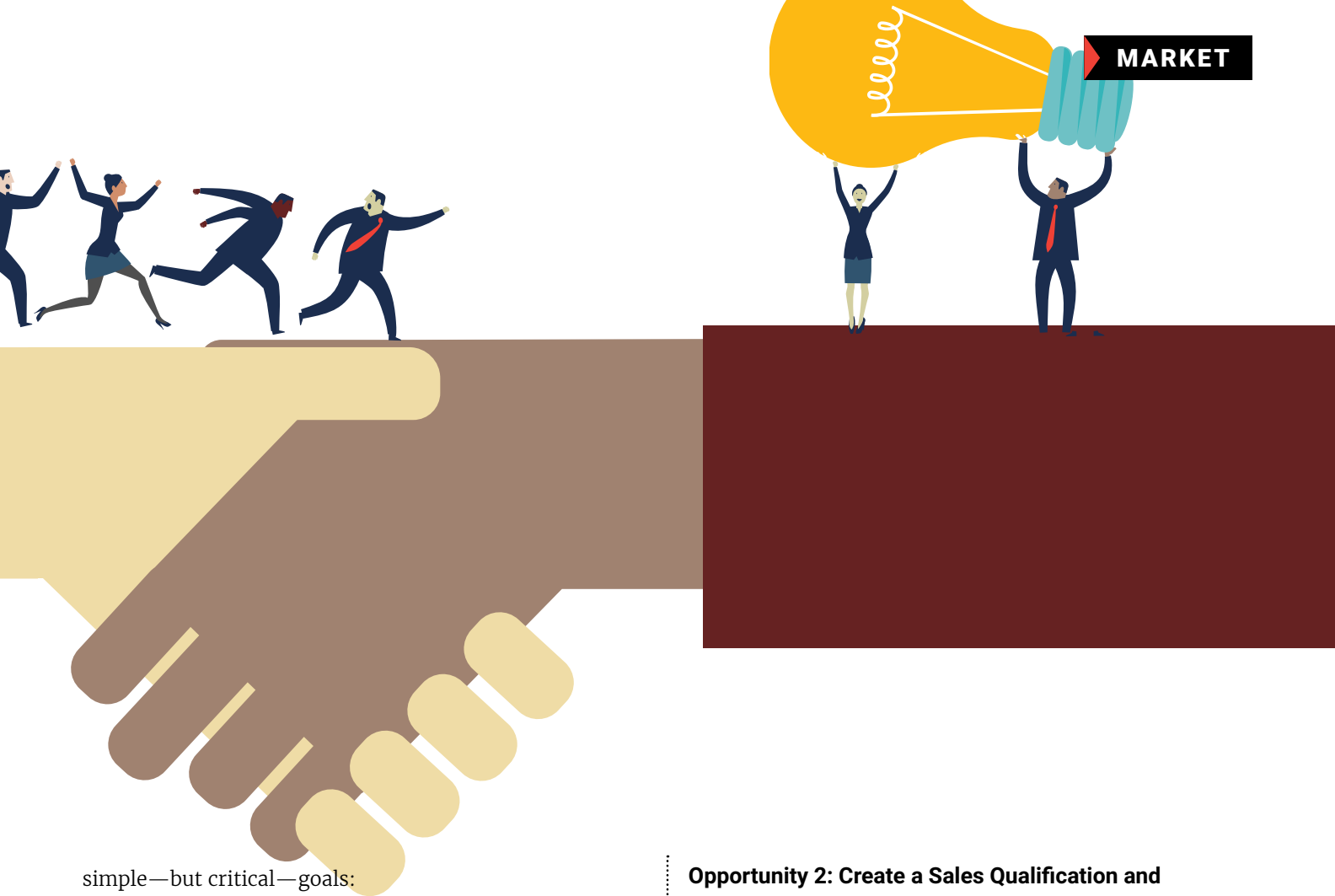
simple—but critical—goals:

1. Reduce the energy required for each sale
2. Increase our win rate
3. Increase our average selling price
4. Build and strengthen our sales pipeline with more qualified opportunitie

PRIORITIZING OUR MARKET CHALLENGES

We looked outside for an expert who could enhance our internal skillset. Based on a recommendation from a trusted source, we engaged with Neil Baron of Baron Strategic Partners and agreed that he would work alongside us, training us to tackle our strategic goals. After interviewing our key PVD team members, Baron gave us a process we could use to identify our five most critical opportunities to boost our strategic marketing and selling success.

Opportunity 1: Enhance Understanding of Our Sales Pipeline

Our lack of sales opportunity analysis meant we didn't really know our true sales order pipeline. Simply put, our revenue and the predictability of our revenue both needed improving.

Opportunity 2: Create a Sales Qualification and Prioritization Process

Everyone at PVD was committed to superior customer service. Companies interested in our products received our full attention—regardless of whether they deserved it. We spent too much time chasing low-margin opportunities and prospects who were outside of our wheelhouse and opportunities.

Opportunity 3: Improve Access to the Full Market of Opportunities

Our reactive approach to marketing meant we only saw a small percentage of the real opportunities available (perhaps less than 10%).

Opportunity 4: Focus Selling Efforts on Our Best Customer Prospects

PVD is not a low-cost provider. Our products are highly customized to each customer's requirements and applications. We needed to focus on reaching prospective customers with more difficult problems to solve—that' where we excel.

Opportunity 5: Rethink Marketing Tactics

We had a marketing agency creating social media content for us, but it was generic in its messaging. It lacked the

right level of focus that appealed to our primary customers. Also, our marketing metrics (e.g., impressions and "likes") weren't strategic. These efforts weren't providing the kind of ROI we needed and, while we saw a slight boost in traffic to our website it had not had a significant impact on our actual sales pipeline.

After identifying these opportunities, we then established the following priorities:

- Better understand what we were doing well, along with opportunities for sales and marketing improvement

- Identify our true customer value and define our best customer value propositions

- Identify our strongest and best target marketing opportunities based on our true customer value

- Define the marketing and sales strategies that would help us better find, attract and approach the right prospects that align to our true customer value

LISTENING TO OUR CUSTOMERS

Companies often believe they understand the value they deliver to customers, but biases get in the way and customers often disagree. The true value customers receive is often hidden from view. To unlock that hidden view, interviews by objective and skilled interviewers are needed.

With that in mind, Baron Strategic Partners demonstrated how to conduct in-depth interviews with customers to address our previously established priorities. Going into the process, Baron told us, "It's tricky to manage customer conversations and avoid the natural biases that can

distort how we hear and interpret customer feedback. Careful probing is necessary to unlock the true value vendors deliver."

But the exercise of interviewing and listening to a select number of customers helped us challenge key assumptions. We accessed a clear, unbiased view of our customers' underlying needs. The process also shed light on the fact that, for complex, technically challenging problems, we offer the kind of customized service that make us an ideal solution.

This discovery and validation process also confirmed our thinking and clarified where we were most likely to be successful. The ability to create a more focused definition of our true customer was key, and we identified additional value we brought that, prior to the exercise, we weren't aware of.

IDENTIFYING HIDDEN OPPORTUNITIES

We identified an important trend by analyzing our customer feedback and sales data: Our most successful customers tended to have very difficult technica challenges. In addition, the type of customers that faced these challenges typically were leading-edge researchers in several key industries (i.e., major universities with advanced physics and material sciences departments, industrial companies with advanced R&D facilities).

We had a significant customer base among world-leading academic institutions, including the Massachusetts Institute of Technology (MIT), Princeton University, Harvard University, Northwestern University and the University of Leeds. And the team discovered that most of these

> "The true value customers receive is often hidden from view."

university customers had excellent relationships with us and were willing to openly talk about their use of our thin-film deposition solutions to develop new innovations

The question was how to best leverage this loyal customer base to boost the effectiveness of our marketing and sales efforts. There were the obvious ideas (e.g., testimonials, success stories), but we were looking to more proactively involve our customers in our marketing efforts. Was there an opportunity to partner with some of these high-profile customers in a win-win way

PARTNERING WITH OUR CUSTOMERS

University researchers and professors typically are experienced in giving technical talks about their research and findings. In fact, they are actively encouraged by their university to give these talks, as it benefits both the university and the experts' careers to gain positive exposure for their innovative research and results. Would they be willing to talk to prospective customers about their use of PVD thin-film deposition solutions

We developed a plan to approach a high-profile university customer to gauge their interest in a joint webinar. PVD would host and manage the effort, and the customer would serve as expert speakers. We set our sights on a major university customer with a superb history and reputation for innovative leadership: MIT.

BRINGING IN A NEW MARKETING AGENCY

We recognized that our customer would rely on us to implement this webinar with a high attention to detail and professional execution—and with minimal resource involvement from the university. The planning, marketing and implementation had to be right.

With Neil Baron's recommendation, we engaged with Rod Griffith, co-founder and chief client officer at MarketReach. brought in their project management and creative teams to help plan, manage and execute the webinar and gauge whether the pilot program was effective in attracting new customer prospects

The first thing Griffith and his team did was assess our current prospect list, which we managed with marketing automation platform HubSpot. Fortunately, our previous agency had done a good job of maintaining a clean prospect list. It wasn't huge—approximately 1,110 contacts—but we had good, quality contacts.

LEVERAGING CUSTOMER RECOGNITION FOR REAL RESULTS

Once the MIT speakers confirmed their participation and planned their presentation abstracts, MarketReach developed and launched a scheduled series of email invitations to the list. They strongly leveraged the MIT name and brand for its recognition and reputation and co-branded with PVD.

The webinar was held in June 2019 with excellent results. MarketReach's audience acquisition campaign delivered a response rate of over 9%. As expected with free, live webinars, about half of the preregistered contacts attended. But a surprising 68% of the preregistered contacts proactively requested (by opting in) to receive further PVD Products information and/or be kept informed of future webinar offerings
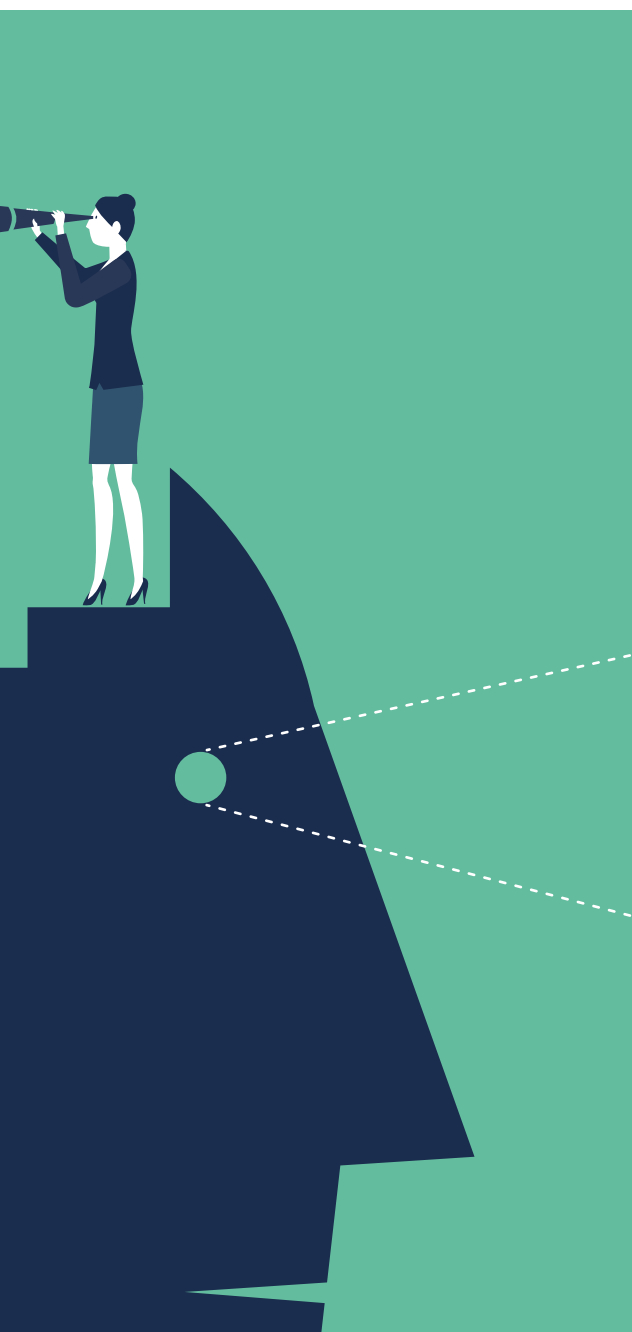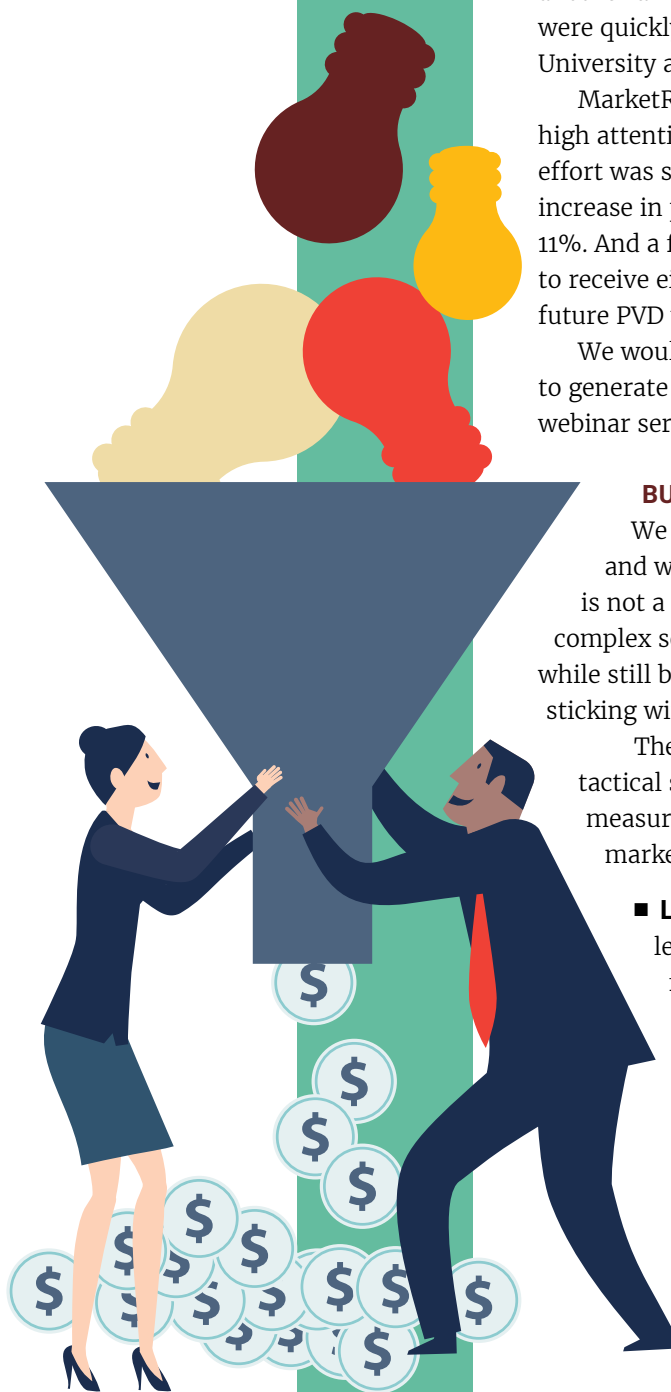
REPEATING THE PARTNERING SUCCESS

Highly encouraged by the test program's results, we had one critical question: Was this a fluke or could we repeat the same success with another university? With that in mind, plans for a second webinar were quickly set in motion. The next customer was The Ohio State University and an aggressive October 2019 webinar date was set.

MarketReach implemented the same outbound program with high attention on the co-branding with the university. Again, the effort was successful (even more so). This time we achieved a 20% increase in preregistered attendees and a response rate of almost 11%. And a full 74% of preregistered contacts proactively requested to receive either additional product solutions information and/or future PVD webinar offerings

We would have to go to a lot of trade shows and conferences to generate the same number of leads that we created with the webinar series.

BUILDING A NEW FUTURE

We are in the business of creating technological innovations, and we fully recognize that buying highly complex technology is not a short sales journey. Similarly, the marketing of such complex solutions requires a real commitment to strategic thinking while still being open to innovative approaches—and consistently sticking with those approaches.

The journey to revamp and reinvigorate our strategic and tactical sales and marketing efforts has had a significant an measurable impact on our business, across all elements of our marketing and sales.

- **Leading indicators.** Our sales cycles are by design lengthy, spanning multiple years. So, at this stage we find that leading indicators such as pipeline growth are the most relevant to track marketing success. Since we began working with Baron Strategic Partners, the number of deals in the sales pipeline grew by 38%, and more important the value of the deals in the pipeline increased by more than 80%. We are attracting more valuable leads, not just more leads. We are confident that this will convert into revenue growth.

- **Sales pipeline strength and accuracy.** We are receiving more RFQs from organizations that have not reached out to us before. There are more industrial customers and more high-margin qualified leads in the pipeline, and we've landed several major new customers. We have more knowledge and confidence in our sales pipeline information, which means we can forecast more accurately. And the forecast looks positive.

■ **Sales effectiveness.** By taking the first step to truly listen to our customers, we significantly improve our ability to target customers who are most likely to buy; communicate value propositions that resonate; align the organization and focus on high-potential opportunities; and prioritize feature development based on value delivered to target customers.

Having a stronger account-planning process for reviewing and prioritizing sales opportunities also has made a significant positive impact. We score each opportunity based on parameters we learned directly from our customers. We more quickly disqualify opportunities that either aren't real or aren't a good fit—and politely walk away from the tire-kickers.

It isn't easy to learn to say "no" to sales opportunities, but it was vital. In some cases, we even suggest other solution providers. We focus our attention on real, winnable opportunities based on the scorings. We also have sales strategies that allow us to better customize our sales approaches for each opportunity.

> " Attract more valuable leads, not just more leads.

■ **Marketing effectiveness.** By shifting investments from broad, awareness-focused social media efforts to targeted marketing efforts focused on true lead generation, we have gained a stronger, more measurable ROI.

The two webinars we've presented to date had a 10% average response rate, and more than 70% of respondents have opted in to receive further communications from us. That's a vastly better result than all our social media marketing efforts of the past two years combined. With MarketReach's help, we have also implemented a follow-up lead-generation effort to the webinar registrants. These marketing initiatives from the past year have more than doubled (2.5x) the size of our prospect contact list.

THE BOTTOM LINE

With our new strategic focus and more effective tactical marketing, we have turned the corner toward a new,

brighter future. The long-term impact across our business is clear:

■ More energy on proactively pursuing the right deals
■ Higher close rate
■ Increased average selling price
■ Improved allocation of engineering resources
■ Higher ROI on marketing spend

We think more strategically about sales and marketing. We know where our future sales will come from. And we know how to approach those sales opportunities more effectively. We're even looking to expand our resources to better pursue and deliver on the large number of opportunities we already have in the sales pipeline. And that's not something we could have said two years ago. **┇P**

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ACCELERATE YOUR SUBSCRIPTION BUSINESS

Pricing guru Mark Stiving provides the clarity you need on the essentials of managing and growing a subscription product.

WIN, KEEP, GROW

Pricing in Subscription-Based Businesses

BY MARK STIVING

DETERMINING HOW MUCH YOUR BUYER is willing to pay and then setting your price just below that is how you price anything—including subscription-based products. Ultimately, the key is estimating willingness to pay.

But when you dig deeper into subscription-based business models, there are interesting insights about willingness to pay that occur at different points in the buyer's journey. And the single biggest difference between subscription and traditional business models is that subscription companies must manage three revenue buckets rather than just one.

Traditional businesses care almost exclusively about winning new customers—as do subscription companies. But subscription-based businesses also care about keeping and growing customers. These three revenue buckets—win, keep and grow—each must be managed separately.

THE 'WIN' REVENUE BUCKET

Subscription companies should treat this the same way traditional businesses do: by determining how much buyers are willing to pay and charging accordingly. However, subscription-based businesses face a few additional challenges.

Cash Flow

In a traditional business, companies typically receive their revenue in a lump sum. This makes it relatively easy to know if they're selling at a profit or loss. Although costs shouldn't be used to set prices, you do want to know that your revenue covers your costs, plus some profit

In subscription business models, revenue is a stream. To know if your price covers costs, you must estimate the lifetime value of a customer. There are techniques and formulas to help with this, but you won't really know if any single customer will be "profitable." Instead, you want to ensure that total revenue from customers is profitable overall

Packaging

Most companies—both traditional and subscription—have good-better-best packages. In traditional business models especially, good-better-best packaging becomes a powerful tool that simplifies the buyer's decision process. It's common for 50% or more of revenue to come from the middle (better) package.
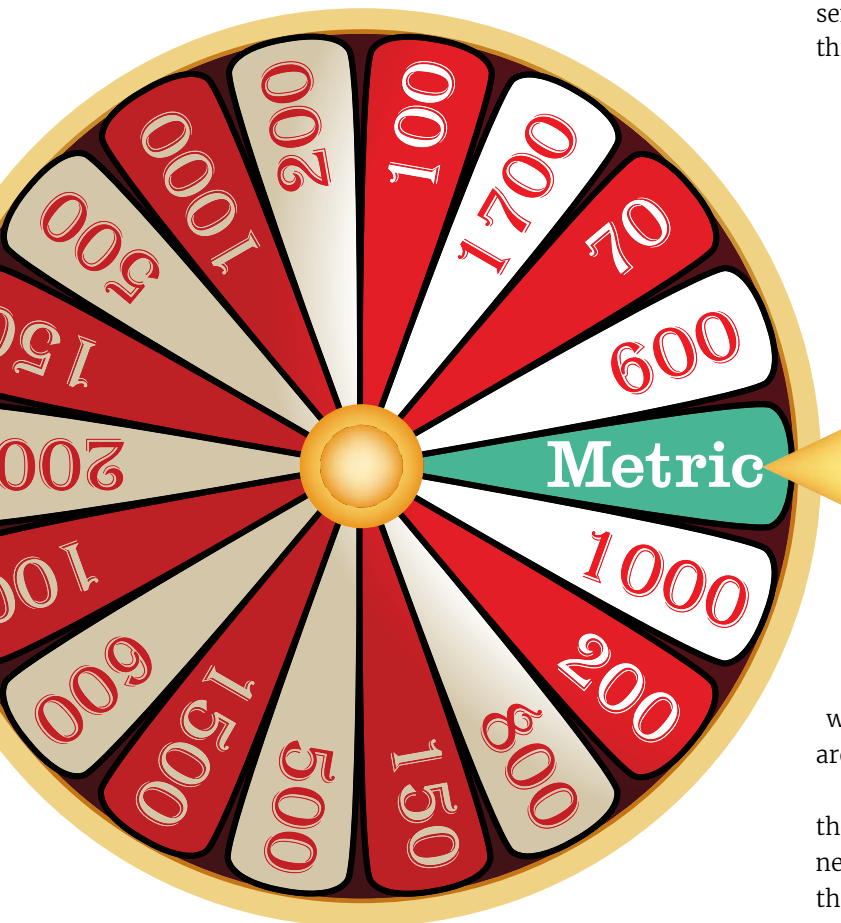
Subscription companies also should use good-better-best packaging, but for a different reason: to give customers a growth path (more details on this in the section "The 'Grow' Revenue Bucket". To win new customers, subscription companies typically lead with their "good" package, or even a "free" package if there is one.

The goal is to get a user to try the product and like it. Smart subscription companies focus on the total lifetime value of a customer, and the first step to that is winning the customer.

Pricing Metric

Another diff rence, especially in SaaS companies, is the pricing metric. What will you charge for? Per user? Per gigabyte? Per transaction? Per month? You name it. After studying SaaS pricing metrics, you realize these are

important in many industries. Netflix put Blockbuster out of business by changing the pricing metric. Apple iTunes was the first to sell music by the song instead of the album. There are used bookstores in India selling books by the pound.

There are many pricing metrics from which to choose—if you're thoughtful. However, if you want to win customers, choose the pricing metric based on what makes sense to your buyers. This typically means one of two things:

- Charge the same way the competitors do, or
- Charge for something highly correlated with how your customers receive and perceive value

THE 'KEEP' REVENUE BUCKET
From a pricing and packaging standpoint, this is the easiest bucket to manage. Don't change anything. Sure, you can fix bugs and add more functionality to improve the user experience. But the point is, the customer chose you for a reason.

You likely still need a customer success department for onboarding and improving usage. One of my favorite observations about traditional vs. subscription businesses: Traditional businesses don't actually care if you use their product.

In subscriptions, however, you must worry about whether your users are getting value because, if they aren't, they will stop paying you.

The price/value tradeoff also is interesting. Prior to the purchase, perceived value drives the purchase and you need to convince the buyer they will receive more value than the price. After the purchase, real value matters and you must make sure it happens. It's still a price/value trade-off, but it evolves over time

THE 'GROW' REVENUE BUCKET
Though critical for rapid growth, this revenue bucket often is overlooked and underemphasized. From a pricing and packaging perspective, it's the bucket you should prioritize and give the most attention to once you've built a large customer base.

Grow revenue doesn't really matter in the early stages of a subscription-based business. It becomes more important as your company grows and builds a larger user base. However, if you ignore this bucket early, you may make some decisions you'll find are hard to change when you need to. There are four ways you can get any individual customer to pay you more money.

Raise Prices

Don't do this too often, and be sure to implement any price increases thoughtfully. That being said, you can probably raise your prices now as long as you have a somewhat mature product. Here's why: When the buyer first chos you, they didn't know how much value your product would deliver. Then they acquired the product, used it and realized it was worth the price—which is why they continue to pay you. Being certain about your value gives them a higher willingness to pay.

Also, as they become more comfortable with your product, your customers will use more of its capabilities, realizing even more value. You've also added new features to your product as time has passed, so your customer values your product more now than when they initially purchased it.

> "Getting the pricing metric right is more important than getting the price level right."

For a completely differ nt reason, your customers are unlikely to leave because their switching costs have increased. Since adopting and using your product, they probably have built internal processes around it. They may have created API calls into other systems and trained many people on how to use it. Switching to another product becomes painful.

For these reasons, your customers are unlikely to leave if you raise your price—though that's not a guarantee, and you'll probably hear some complaints.

A great strategy is to first raise prices for customers who get the most value from your product. Do what you can to ensure they don't leave, then work your way down to those customers who don't get as much value. Use is a good indicator of value; those who use your product more than others likely place more value on it.

Increase Use

Increased revenue from increased use happens when you choose an appropriate pricing metric. (Remember: A pricing metric is what you charge for.)

For example, Salesforce charges by the user. As their customers grow and hire more salespeople, they pay more. Meanwhile, Constant Contact charges based on the number of contacts in their customers' email lists. As customers grow their email lists, they pay Constant Contact more money.

Thinking through a pricing metric is a crucial step to pricing and packaging a subscription product. In fact, getting the pricing metric right is more important than getting the price level right. An ideal pricing metric makes sense to customers, is predictable and highly correlated with the value they get. In other words: The more value they get, the more they pay you.

Upsell

Look through nearly every SaaS company's pricing page and you will likely find thr e tiers of product features: good, better and best. Packaging and pricing these tiers may be hard, but it's incredibly valuable. Say a user subscribes to your "good" package. Over time, they become more familiar, their company grows and their needs increase. Now you can upsell them to the "better" package.

Packaging your products well requires an understanding of how much your users value your product overall as well as how much they value individual features or capabilities. With this information, you can strategically put features into buckets so the customers who value those features most will buy up into the better or best package.

Cross-sell

If your company has chosen a market segment to serve, you likely are creating even more products to help it. Cross-selling simply takes advantage of the fantastic relationship you have built with a customer so you can offer them other products.

If the line between cross-sell and upsell is blurry, one way to think about cross-selling is that the product probably solves a diff rent set of problems and it likely stands alone.

A DIFFERENT MODEL REQUIRES A DIFFERENT APPROACH

Pricing and packaging in a subscription-based model is differ nt from traditional business models. There are three revenue buckets to manage, and one of them—the "grow" bucket—is powerful, yet usually misunderstood and mismanaged.

Master this win-keep-grow framework and learn to implement its diff rent parts, and you'll be the hero in your subscription-based organization. And the good news is, not many product professionals are doing this. Yet. **P**

About the Author

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READING BETWEEN THE LINES

What 'Your Price Is Too High' Really Means

BY ANDREW PETERSON

AFTER CONDUCTING HUNDREDS of win-loss interviews on a monthly basis on behalf of well-known B2B solution providers, one thing has become clear: When a buyer in the "loss" category summarizes their dissatisfaction with a vendor's value proposition by saying, "The price was just too high," something is missing.

It's tempting to take that initial feedback at face value, but in almost every case of a buyer citing price as the issue, we find this statement to be overly simplistic—if not misleading. That's why it's important to probe deeper about the buyer's pricing concerns and seek more actionable feedback. And to be clear, lowering your solution's price usually is a mistake.

There are three common underlying themes behind the "your price is just too high" statement that you can keep in your back pocket as you conduct your own post-decision interviews of lost opportunities.

NO CLEAR OR JUSTIFIABLE VALUE PROPOSITION

"It's important to remember that B2B transactions are never just about money," said David Tensmeyer of Boston Consulting Group. "Whether your price is lower than, higher than or on par with the competition, you need to have a value proposition that justifies that price level in the customer's mind."

First, customers need to be confident that your solution will solve their problem. Second, they need to be confident that your price point is justifiable relative to th magnitude of the problem being solved. Finally, they need help making that business case clear to other stakeholders in their company.

Train your sellers to identify the problem being solved, justify the price and assist their customers in building a business case. Regular post-decision interviews can help you identify lost opportunities where your value proposition fell short. You'll also learn whether the loss was sales-related or a true pricing issue. In many cases, sales-related improvements will enable more wins than dropping your price.

AN UNCLEAR PRICING MODEL

For many buyers, their problem isn't that the price is high, but that it's unclear, and they want to understand the structure behind the quote. How did you get to the price you gave them?

Without pricing clarity and transparency, the buyer may question the integrity of your quote, the scalability of your pricing over time or the flexibility of your pricing when their needs change. Train your sellers to communicate how your pricing works and break down estimates into their component parts.

Finally, avoid used-car-salesman tactics like starting with an unreasonably high price and then deeply discounting to find the buyer's comfort level. The buyer may be pleased with the lower price, but they still are left wondering about your honesty—and whether you even have a clear idea of the actual value of your product.

THE PACKAGE DIDN'T ALIGN WITH THEIR NEEDS

"Buyers don't like paying for things that they won't use," said Clozd senior consultant Cameron Turnbow. "To make their product more compelling, sometimes companies add a lot of features. But some buyers don't need or care about those features. They may feel like you're selling them more than they need, giving them the impression that they are spending more than they should. Packaging

your product or service correctly ensures you avoid this potential pitfall."

If a buyer is looking for a quick fix for a simple business problem and all you offer is a premium product with lots of bells and whistles, it's going to be difficul to get your price down to a point that makes sense for them. In this case, when you hear "the price is too high," they're really saying that "your product is way more than we can handle right now."

Again, regular post-decision interviews with lost prospects will help you diagnose these kinds of packaging problems. You may find that simple tweaks will help you align your solution with the actual needs of your typical buyer personas.

DIG A LITTLE DEEPER

One of the best methods for determining what a buyer really means when they say your price is out of range is to conduct probing, post-decision interviews with the decision makers of lost accounts. By digging a little deeper, you can gain insights that will transform your approach to future customers and quiet the concerns about price. **P**

To learn more about post-decision interviews, check out the Win Loss Week event, hosted by Clozd in partnership with Pragmatic Institute. The event has concluded, but you can still register to gain access to the full session lineup.

About the Author
Andrew Peterson is the founder of win-loss analysis firm Clozd. Connect with him on LinkedIn.

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CHASING *your* PO

A Primer for the Rising Product Professional

THERE'S NO DOUBT IN MY MIND that the high-performance product professional is a game-changer in any organization. I know. I architected the strategy and provided leadership for two market-leading companies in technology, and there were always product professionals at the epicenter of our success. I was fortunate to lead and serve those individuals. Mostly, I learned from them.

When we sold the second firm to a global software giant, I shifted my career focus to executive and emerging leader coaching and teaching at the MBA level. Success in both of those fields demands keeping current with the latest research on human thinking and performance. Success helping individuals chase their potential demands careful adherence to a rigorous coaching regimen that pushes people to uncover and adjust the right behaviors to create high performance.

I wish I had known then what I know now about chasing your potential and succeeding. It would have eliminated a lot of flailing on my part and on the part of the product professionals and teams I was responsible for leading and coaching. From experience, I know that we spend an inordinate amount of time in our careers immersed in the urgent challenges of the day, and in our spare moments we work on our technical skills. What gets lost in the time crunch is deliberate learning and development focused on skills and behaviors that are incorrectly labeled as "soft."

There's nothing easy about developing these skills and expanding your toolset for thinking, decision making, communicating, leading and growing influence But these skills set you apart and propel you forward in your career.

> "It's tempting and noble to believe you can succeed on your own. But we all need help."

OTENTIAL

BY ART PETTY

Here are my top five takeaways from having both lived the product role and succeeded at the senior-executive level, and from almost 15 years of helping motivated professionals chase their potential and succeed wildly in the process.

1 COMMIT TO DEVELOPING YOURSELF, THEN DO THE WORK

There's an innate drive to grow, learn and develop in all the top performers I work with in my practice. These individuals understand that professional development requires deliberate effort to learn, gain and deliver feedback, and study and experiment. And they do the work.

High performers read, listen, watch and soak up ideas; strive to translate what they've learned into actions; and then learn from the outcomes.

Great product professionals—the difference-maker I referenced at the beginning of this article—operate with an unyielding curiosity to connect the dots, make sense of noise in the environment and uncover opportunities and threats. However, at the heart of their performance is a commitment to doing better. They are competing in a race—with themselves more than others—to reach their potential.

2 NO ONE SUCCEEDS ALONE; GET THE RIGHT KIND OF HELP

It's tempting and noble to believe you can succeed on your own. But we all need help. The earlier you recognize this and the faster you build your career support network, the faster you will succeed. Here's an overview of the various personal stakeholders you need in your career.

- **A "swim buddy" who will share the unvarnished truth about you:** If you don't have this trusted resource helping you see yourself as others do, make a note right now and then start the work of findin this individual. Choose a peer who sees you regularly and who you trust has your best interests at heart. Ask them to support your development by observing and sharing their perceptions. Offer to do the same for them.

- **Bosses who offer feedback and development support:** Not all do, but treasure those who take the time to help you grow. Do extraordinary work for and with them and help them achieve their aspirations. For the rest, never tire of asking for input and feedback. Even if the signal-to-noise ratio

from their commentary is garbled, strive to find ideas in the noise

- **Team members who can tell us if our approaches to leading are off-key or tone-deaf:** Of course, you've first got to earn the team's trust before they give you anything you can use to support your growth. You can accelerate time-to-trust with your team members by practicing providing yours first

- **Coaches at different stages of your career:** Find a coach who is good at helping you succeed wildly in place and, when you're ready, find a coach who is adept at supporting individuals in next-level situations. There's a difference, and I wish I would have figured that out earlier

- **Sponsors:** I like good mentors—individuals who share their wisdom and serve as sounding boards. I've been on the receiving end of helpful mentors several times in my career. However, I also love sponsors—those who advocate for our programs and initiatives and us as product professionals as team and functional leaders. Choose mentors for growth and sponsors for speed.

Your success demands a crowded table filled with individuals who have chosen to trust and support you because you've earned their trust. Spend time creating your table of guests.

3 MASTER CHALLENGING CONVERSATIONS

An early sponsor of mine offer d, "Art, you'll go as far as you can communicate." It turns out, he was right. Everything important in your career (and in life) takes place in one or more challenging conversations. High performers understand this and strive to develop verbal and nonverbal communication behaviors that allow them to navigate challenging situations, gain support and raise coalitions to take on big problems.

Learn the art of what I term "positive persuasion"—the ability to negotiate internally while creating value for your counterparts. This means slowing down to go faster and recognizing the relevance of the persuasion process and the power of seeing the situation from someone else's point of view.

Develop the ability to manage your fight-or-flight reflex when engaging stressful communication situations. Your ability to maintain control and transcend emotions to help individuals and groups uncover solutions will set you apart in your workplace.

Take time to design your messages for clarity and impact. I teach product professionals to use a strategic-message design process that challenges them to stress-test their logic and prepare for the tough questions in high-stakes situations.

Product professionals navigate some of the most challenging conversations in any organization. From investment pitches to executives to dealing with frustrated stakeholders, demanding customers and overtaxed colleagues across functions, these are the communication encounters that generate success or perpetuate flailing. Learn to succeed in these high-stakes conversations.

4 LEVEL UP AS A THINKER

Every organization has a strong gravitational pull powered by how people think and act, often based on long experience in an industry or with customer groups. In times of stability, this dominant logic might suffice. But in periods of volatilit and uncertainty, dominant logic is toxic to survival and success.

High performers master the art of altitude adjustment. They learn to zoom in or out and think critically, regardless of level. And they have an extra ability referenced by various authors and coaches as "seeing around corners" or "seeing over the horizon." This extrasensory ability is a thinking skill that involves looking at the noise in an industry or our world and seeing emerging patterns that represent risks or threats. Then, thinkers translate these ideas into actions.
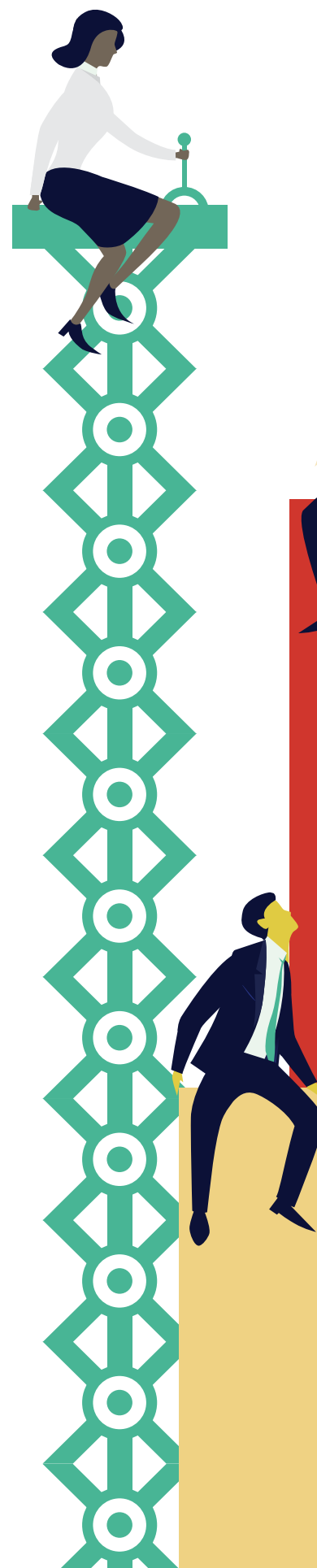
> # High performers master the art of altitude adjustment. They learn to zoom in or out and think critically, regardless of level."

In one case, a product leader I worked with was concerned about her firm's prospects in a changing world despite the current great results. While everyone was busy congratulating themselves on yet another great quarter and year, this product leader was concerned that systemic changes in distant markets were going to ripple through to her firm's industry. Ultimately, she channeled her concerns into guiding the firm to look at the world differently and begin to see both new opportunities and emerging threats. When I interviewed the CEO, he credited this product leader's ability to think differently and motivate support to ensure the firm's continued success

5 ENGAGE IN THE WORK OF INFLUENCE DEVELOPMENT WITH A CLEAN POWER PROCESS

You will uncover many facets of organization life in your career, but perhaps the most difficult on to grasp is that a political environment emerges in every place where individuals gather to pursue a mission. And in this political environment, a few individuals decide what gets done and who does what.

As part of chasing your potential, it pays to connect to people who have influence—and it pays to cultivate your own degree of influence. Research backs the connection between influence and career success; however, there's a better reason for developing yours: The more influence you command, the better positioned you are to maximize your impact on initiatives, teams and, ultimately, organizational strategy and results.

Those who view "cultivating influence" as synonymous with "playing games," rest easy. I don't want you to play games. I want you to build relationships, create value for those who have influence and do it in a manner that aligns with your values. In our practice, we reference this as building clean power; we cultivate influence

without compromising our values.

You don't get to opt out of your political environment by refusing to "play those games." Instead, you must define your rules of engagement and cultivate clean power by creating value with those who decide what gets done and who does what.

THE BOTTOM LINE

Play the long game in your career. It starts with an unquenchable thirst to do better and to learn more, faster. It's a competition with yourself that demands constant work, more than a few stumbles and an extra helping of stick-to-it-iveness for the tough times. Get it right, and you'll find yourself leading teams and organizations and helping many others chase their potential. But first, you must make up your mind to chase your potential, then commit to doing the work. Fair warning, there's some heavy lifting ahead. ⊒P

About the Author

Art Petty is a former software industry executive and now is an executive and emerging leader coach, author and graduate management educator. He also is the creator of Pragmatic Institute's Partner Learning Network online course, "Level-Up Power Skills: Influence, Lead and Develop Yourself." Contact him at art.petty@artpetty.com or connect with him on LinkedIn.

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EXPLORING
THE WORLD OF FIN

BY ANITA LAUPER WOOD

THE GOAL OF ANY PRODUCT IS TO create value for the business, with "value" typically translating to "profit." There aren't many product professionals who would argue that statement. At the same time, most product managers come from a technical or domain-expertise background that, yes, frequently leads to fantastic product and market expertise. However, this focused expertise also results in an often-overlooked gap between products and the financials

In most organizations, regardless of maturity or size, the product team is tasked with surprisingly little when it comes to profit-and-loss analysis for their products. Most companies silo financial responsibilities with the finance team, which has littl to no collaboration with functional areas like product. This isn't happening because finance is hoarding financial informatio frequently, the people who work in functional areas don't understand the meaning of financial data. Even organizations with product centers of excellence often leave the financials to the finance team

Yet, leaving the numbers to finance not only puts your products and your company at risk, it also limits your career potential.

ANCE

Without a strong foundational understanding of profits, losses and other basics of finance, you won't have enoug knowledge to:

- Predict your product's potential success

- Pivot when things don't go as planned

- Recognize the signs that your product is nearing its end of life.

But if you develop the skills to predict and analyze the financial results your products can return, your colleagues (and leadership) will notice your aptitude—and your career will move forward.

HOUSTON, WE HAVE A PROBLEM

The first step in building your financial savvy is evaluating what yo know and understanding your comfort with finances. Oftentimes, people who have a strong expertise in one area push back on learning about other areas. But, as Peter Drucker puts it, "Taking pride in such ignorance is self-defeating. Go to work on acquiring the skills and knowledge you need to fully realize your strengths."

The reality of the world is that corporate leadership is increasingly expecting product professionals to know the financials of the business, not just your products. You must understand the organization's financial results and how to interpret the financial data. For example

- **Profit and loss (P&L) statement:** tells you the organization's profit over a period of time. It shows both revenue earned and expenses incurred.

- **Cash flow statement:** displays the difference between the organization's revenue and expenses incurred, and summarizes how operations, investing and financing activities affect the organization's available cash

Knowing how to interpret these statements is important, as that knowledge provides useful cues (e.g., how products are funded) that will help you build more relevant and compelling business cases.

It's also important to remember that the language and priorities of finance change depending on who you're talking to because different stakeholders care about different things. For example, the finance team cares about whether your product will surpass the hurdle rate (more on this later) while the sales team cares more about the cost of sales and projected cash flows

Plus, every business can track and report product- and organization-level results differently, as can each industry, state and country, so understanding those nuances and how they apply to your organization is important to gaining credibility as a strategic product professional.

"Corporate leadership is increasingly expecting product professionals to know the financials of the business, not just your products."

TURN A SMALL STEP INTO A GIANT LEAP

Once you have a better understanding of the finances at the organizational level, it's time to make the connection at the product level. For example, I mentioned that the finance team cares about whether your product surpasses the hurdle rate. But what's a hurdle rate and how does it apply to your product?

To invest in new product development, your company needs money to fund the development effort. The cash flow statement may show that there isn't a lot of available cash, so the funds need to be raised differently. There are two ways the organization might raise these funds:

- Taking on debt, usually in the form of issuing corporate bonds, which require interest payments to those who purchase them

- Issuing stock, giving an ownership interest to those who purchase shares

> "Understanding what differe t stakeholders care about helps you make relevant and powerful business cases for your products."

There are costs involved regardless of which choice the company takes: Issuing bonds means paying interest, while issuing stocks raises stockholder expectations for a return on their investment. The organization determines its hurdle rate, or the minimum rate it must earn on a product, by combining these costs into one overall weighted cost of capital.

Say your company determines that its cost of capital, or the cost of funding the next product, is 10%. That means the hurdle rate is 10%—and any new product initiative must return at least 10% to be viable and add value. In your product role, you must know your company's hurdle rate and be able to show that future expected cash flows from your product will surpass this rate. Far too often, the hurdle rate is not considered when planning or monitoring product performance, which leads to unhappy stakeholders. The numbers in your business case may have looked fantastic, but the performance of the product ultimately will not meet business expectations.

Understanding what different stakeholders care about and how they measure performance helps you make relevant and powerful business cases for your products.

It also helps you in ongoing decisions across your products' lifecycles, allowing you to quickly respond to changes and pivot when necessary.

Plus, you'll see how your product's performance affects the overall organization—and you'll understand how the organization's performance affects your products. Think about your existing products:

- Do you know your products' internal rate of return?
- What are the future cash flow projections
- How is your product being funded?
- How do variables like volume discounting by the sales team affect your product

If you don't know the answers to these questions, you can't confidently ensure the success of your products.

THE EAGLE HAS LANDED

With a better understanding of why corporate financials are relevant and important to your role, don't wait until you're suddenly expected to present numbers, explain suboptimal product performance or eligible for a promotion. Seek out knowledge as soon as possible.

Perhaps you don't have access to much data today, but you can start small and put together the numbers for one of your existing products. Talk with finance and sales about important decision criteria like cash flows, funding sources, hurdle rates, revenue recognition and discounting. They have the same goals as you: success, accuracy and consistency.

As you get your arms around the fina cials, you might be surprised at how much data is available if you simply ask. You might also discover some serious gaps in how your product's numbers are tracked. Improving how those fina cials are measured or how your team works with them can have extremely positive and highly visible results for the organization, not to mention your career. ⊟P

About the Author
Anita Lauper Wood, MBA, PMC-VI, PMP, CSM, has nearly two decades of experience and has been a product professional in a variety of industries. Contact her at anita.lauper.wood@gmail.com or connect with her on LinkedIn.

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COLLABORATION ACROSS THE BOARD

Ryan Crochet

BY JIM FICKESS

RIGHT AFTER HIS FIRST "AWESOME" Pragmatic Institute training, Ryan Crochet, PMC-III, jumped at the chance to be one of the founding members of the Pragmatic Alumni Community (PAC).

"Product marketing has been around for a while, but it is still early in its development for most organizations," Crochet said. "We're helping mold what it looks like. That's part of what's exciting about product marketing."

The affable 37-year-old recently took time from his job as manager, product marketing and financial merchandising for Mitsubishi Logisnext Americas Inc. (MLA) to talk with *The Pragmatic* about advancing his career, participating in the PAC, leaving Houston to attend Notre Dame, undergoing life-changing surgery and spending time with his family.

Describe your involvement with Pragmatic and the online PAC.

Crochet: About a year ago, I took my first Pragmatic training. I absolutely loved it. Sometimes marketing struggles to find a home and philosophy. The training reinforced and solidified a lot of my thoughts about marketing. I knew instantly that I wanted to send my whole team to the same training.

Shortly after that, I had the opportunity to be a founding member of the Pragmatic Alumni Community, which is open for any Pragmatic alum to join. It has been a great opportunity to connect with people in similar roles. It also can be very humbling, as you're communicating with people who are well-versed in product marketing. It is a great place to interact and learn from other professionals in the field about what has worked for them and what hasn't. Sometimes, it's just a place where you can vent about the obstacles that we all face regularly.

For almost nine years you've been with Houston-based Mitsubishi Logisnext Americas (formerly MCFA), which many people may not realize is as big as it is (it employs about 1,200, plus an extensive dealer network, and can produce 25,000 forklifts per year). Tell us about your career there.

Crochet: I have worn a few hats here. I started as a product marketing specialist with zero industry experience. I never imagined that I would end up marketing for a forklift company, but once I got in the door, I fell in love with the company culture and industry. It's a big, small industry. Everyone knows each other. And, people don't realize how big a role material-handling equipment plays in their lives.

After about three years as a product marketing specialist, I asked my mentor what my next move should be. He said I should get into the dealer side of the business. I became the sales training manager. It was a good combination of product and dealers. I was also assigned financial merchandising, which handles things like lease promotions and providing finance=based solutions to the market.

Next, I moved on to be manager of corporate planning and strategy, which was also a great chance to work on some high-level project management that I wouldn't have had the opportunity to do otherwise.

I got my present job as product marketing team manager about a year ago. I have a team of four product marketers and am also in charge of sales training. Hopefully, we are providing a bridge between product and sales that was missing. And I still manage financial merchandising.

How has working from home during COVID-19 been?
Crochet: I find that I am working much more. But I had an hour and a half commute each way to work, so I have three more hours each day to be productive, but I also

have a lot more flexibility. It's been a great thing for me. This (remote work) has opened the eyes of a lot of companies. It shows what employees are capable of.

In your LinkedIn profile, you describe yourself as a collaborative problem solver. "Collaborative problem solving" are three words we don't hear a lot these days. How does it work?
Crochet: In product marketing, you work with so many different teams—engineering, sales, parts, executives and dealers. I learned very quickly not to BS anybody because someone will call you on it. It's not about knowing everything, it's about knowing where to find the answers and who to build relationships with. And when there's a problem, I want to make sure I have the right team around me.

Part of my job is to help my team become better product marketers. It's all about being collaborative and helping make people better. If everybody is trying to help everyone succeed, eventually you will find success

You describe marketing as storytelling …
Crochet: We are all trying to tell a story one way or another. There are brilliant people who can't

Ryan with his wife, Shawna, and sons Camden, 9, and Brady, 4.

One of the family's favorite holidays is Halloween, when they decorate elaborately enough for their home to be a neighborhood landmark—especially their "monster mouth" garage door.

In the past year, Ryan has rediscovered his love of mountain biking.

> "Know who your audience is and connect with them so they will listen to your message, not just hear it."

guidance counselor). Once I was accepted, I focused all my spare time on working on getting scholarships, which ultimately paid for half of my tuition. I started out in biology but wound up majoring in marketing. It was a great experience, to go away from home for college. Plus, I still have some of my best friends from there.

What is your life like away from work?
Crochet: In December, I had gastric sleeve survey and have lost 160 pounds. It's a new lease on life. I've taken up mountain biking again, riding about 25 miles three times a week. And I enjoy spending a lot of time with my family. I coach little league soccer and baseball for our sons (Camden, 9, and Brady, 4). It's entertaining to watch 4-year-olds playing soccer. I also like reminding the boys every now and then that Dad is a lot better at video games than they realize. And my wife, Shawna, is inspirational. She is an HR manager for an energy company. I wish I had half of her work ethic and kindness toward other people.

Before we go, I have to ask about your beard. It fits your personality.
Crochet: I have grown it every winter for about four years. To be honest, I regret not growing one when I was younger. It's a great conversation starter. I usually cut it in the summer because it gets so hot in Houston. But this year, I decided in April just to run with it. Plus, it gives my wife the opportunity to tease me about all the beard-grooming products I have in on the bathroom vanity. ◧P

About the Author
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communicate that brilliance. You need to know who your audience is and connect with them so they will listen to your message, not just hear it. If you are not connecting on a personal level, you won't see results despite your hard work, which is a shame.

One element a lot of people don't understand about storytelling is the importance of preparation—planning and rehearsing what you are going to say. When I have a presentation coming up, I practice and practice. The secret is making yourself so comfortable with the material that it looks like it's not rehearsed.

You grew up in the Houston area and went to college at Notre Dame. How did that come about?
Crochet: I liked Notre Dame's football team when I was growing up. Then I found out that Notre Dame was a school—a really good school. I decided that's where I wanted to go. I didn't apply anywhere else—no fallback schools (which worried my high school

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Making the World a Little Bit Better

BY ANDREA OZIAS

> "Being a product manager can feel like a 24/7 type of role, but I think some of the techniques I've been using to recapture balance and sanity could help others."

ANY PRODUCT PROFESSIONAL worth their salt knows that the best approach to delivering the right solution starts with understanding the market and its needs. And Jason Kunio has a leg up on other product managers in his field because he started on the user side of sound and vibration technology before transitioning to the product side.

"I moved into the software product management role to take all of the learning, observation and feedback I'd gained as an engineer at General Motors to try to change the world for the user," said Kunio, who is a product manager for Brüel & Kjær's BK Connect, a PC-based sound and vibration engineering data acquisition and processing software.

Used to analyze products to find faulty systems, parts or structural design, sound and vibration software has traditionally been perceived as a tool only for engineering specialists to test the noise and vibration characteristics produced by manufacturing, transportation and communication products. For example, cars are extensively tested to ensure their mechanics can withstand the vibrations from potholes in the road. And that reassuring thud when you close the door? That's tested to ensure drivers feel they have a sturdy, protective layer surrounding them.

But Kunio's frontline experience provided deeper insights beyond the sounds of planes flying overhead, how quiet your dishwasher is or how tiring the vibrations are on your lawnmower. He learned that, as organizations become more lean, less experienced engineers are more often the user of the software, and they share data internally to support the experts' decision making.

"We needed to view our applications not just as standalone data acquisition tools, but as a team collaboration platform," he said. That realization led to Brüel & Kjær's Team Server, a newer product that indexes teams' data files and provides a repository of both old and new information. "This service adds value to the data, making it easier and faster to solve problems—and ultimately, that is what's important to our customers."

Helping others find ways to solve problems is one of the reasons Kunio is considered an MVP of the Pragmatic Alumni Community (PAC). A product manager on an international team for the past 4 years, he has learned to focus on efficiency productivity and his own health and well-being to balance the needs of his colleagues, while at the same time accommodating a 7-hour time difference.

"I know that being a product manager can feel like a 24/7 type of role, but I think some of the techniques I've been using to recapture balance and sanity could help others struggling with time pressures, especially now that we are mostly working remotely," he said.

But, like his career progression, the time Kunio invests in the Community isn't all one-sided.

"I'll never meet most of the people in the group, but I feel like I can count on the PAC members to offer valuable feedback and guidance because they genuinely want to help," he said. "I think this is why most of us get into the product role in the first place: We are trying to make the world just a little bit better." **⊟P**

About the Author

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