Brief Summary of
Escaping the Build Trap
How effective Product Management Creates Real Value
Melissa Perri

The Build Trap

- The Build Trap is when organizations become stuck measuring their success by outputs rather than by outcomes. It is when they focus more on shipping and developing features rather than on actual value those things produce.
- Companies can get out of the build trap by setting themselves to develop intentional and robust product management practices – that is when they maximize business and customer value
- The Build Trap is a terrifying place for companies because it distracts them – everyone is focused on shipping more software that they lose sight of what is important – producing value for customers, hitting business goals, and innovating against competitors. It is about optimizing your organization to continually produce value.
- Kodak failed to see digital photography disrupting it – instead of responding to change it doubled down on how it always did things

The Value Exchange System

- Companies operate on a Value Exchange – on one side, customers have problems, wants and needs. On the other side are businesses that create products or services to resolve those problems to fulfil those wants and needs. The customer realizes value only when these problems are resolved and these wants and needs are fulfilled.
- To get to understand what provides value to the customer, companies need to get their employees closer to the customers so that they can learn from them and more importantly having the right policies to enable this
- You optimize for outputs when you go after the number of features, number of releases or the velocity of development teams. To be strategic and make people operate in that manner, we need to stop judging teams on the number of features shipped – instead we should define and measure value and build products around it

Projects vs Products vs Services

- Products are vehicles of value – they deliver value repeatedly to customers and users without having the company to build something new every time. Product needs to be nurtured and grown to maturity
- Services use human labor to deliver value to the user – services can be productized where they are the same service for the same price for every customer but they need people to execute them
- A project is a discrete scope of work that has a particular aim – usually has a deadline, milestone and specific outputs
- Projects are part of product development but he mentality of thinking only in projects will cause damage

The Product-led organization

- Product-led companies understand that the success of their products is the primary driver of growth and value for their company. They prioritize, organize and strategize around product success
- Sales-led companies let their contracts define their product strategy – many small companies start off as sales led
- Visionary-led companies, e.g., Apple, can be very powerful if you have the right visionary. Unfortunately, when the visionary leaves, the system crumbles.
- Technology-led companies are driven by the latest and coolest technology – they often suffer from a lack of market facing and value led strategy
- Product-led companies optimize for business outcomes align their product strategy to these goals and prioritize the most effective projects as sustainable drivers
- To become product-led, you need to look at the roles, the strategy, the process and the organization itself.

What we know and what we don't

- Product development is full of uncertainty – hence it is important to separate out facts from the things that we need to learn
- When kicking off a project, you begin by identifying what you know to be true – *Known Knowns* – facts gathered from data or customer requirements.
- *Known Unknowns* are assumptions that you want to test, data points that you want to investigate or problems you need to identify and explore
- *Unknown Knowns* bases itself on intuition coming from years of experience – however it is important to check and experiment if the intuition is right
- Product management is the domain of recognizing and investigating *Known Unknowns* and of reducing the universe around *Unknown Unknowns*
- Product managers identify features and products that will solve customer problems while achieving business goals – they optimize the Value Exchange System

The Role of the Product Manager

- The Product manager deeply understands both the business and the customer to identify the right opportunities to produce value.
- They are responsible for synthesizing multiple pieces of data including user analytics, customer feedback, market research, and stakeholder opinions and then determining in which direction the team should move
- They keep the team focused on the "why" – why we are building this product and what outcome will it produce

Bad Product Manager Archetypes

- There are few paths available today to learn product management. Most product managers have made a lateral move inside their company or have been promoted from software development
- Being a great product manager takes a thorough understanding of your users, a careful analysis of your systems and an ability to see and execute on opportunities for your market

- When you go through motions without active thinking, you end up with a lot of useless features
- Some of the archetypes of bad product managers are
    - The Mini CEO – an arrogant product manager who thinks they rule the world
    - The Waiter – a product manager who at heart is an order taker – they go to their stakeholders and ask what they want – there is no goal, no vision, no decision making
    - The former project manager – often lack the experience needed to be a great product manager. Answering why is very different from answering when – and this requires a strategic mindset that understands the customer, business, market and organization

A Great Product manager

- The real role of the Product manager is to work with a team to create the right product that balances meeting business needs with solving user problems
- An effective Product manager must understand many sides of the company in order to do their job effectively – they need to truly understand the vision and the goal of the company and have deep empathy for the users for whom they are building the products
- One of the biggest misconceptions about the role of the product manager is that they own the entire product and therefore can tell everyone what to build. Product managers really own the "why" of what they are building
- Figuring out what to build takes a strategic and experimental approach.
- Product managers connect the dots. They take input from customer research, expert information, market research, business direction, experiment results and data analysis. They then sift through and analyze information to create a product vision that will help the company create products that solves customers' needs
- Product manager must be humble in their approach to learn, understand that there are assumptions that they must validate, and approach problems with a scientific mindset and reduce risk while focusing on learning
- A Product manager must be tech literate, not tech fluent – they can discuss enough and understand about technology to talk to developers and make trade off decisions
- The product manager carefully balances the line between all disciplines to be able to strategize and decide what is best for the product
- A good product manager is taught how to prioritize work against clear outcome oriented goals, to define and discover real customer and business value, and to determine what processes are needed to reduce the uncertainty of the product's success in the market.
- With a good strategy framework in place and ruthless prioritization around a few key goals, one person can effectively talk to customers, understand their problems and help define solutions with the team

The Product Manager career path

- The responsibilities of a Product manager include tactical, strategic and operational work
    - *Tactical* – focuses on the short-term actions of building features and delivering them – includes breaking down and scoping out work, data crunching to determine what to do next

- o *Strategic* is about positioning the product and the company to win in the market and achieve goals – it is more future looking and what will it take to get there
  - o *Operational* work is about tying the strategy back to tactical work – creating a roadmap that connects the current state to the future state and align teams around work
- Understanding the technical implications of building software, how user experience can impact user value and connecting that back to business goals are basic building blocks of product management
- Typical Product management career path
  - o Associate Product Manager – Entry level position, not many of these roles are available in companies except in Google and Microsoft. Pairing with a senior product manager could help this group
  - o Product Manager – works with a development team and UX designers to ideate and build the right solutions for the customers. Usually responsible for a feature or a set of features, needs to have both a strategic (crafting the vision) and tactical (ensure execution of the solution)
  - o Senior Product Manager – Responsible for the same things as a Product Manager, but they oversee more scope or a more complex product. They concentrate on building new innovative products and look for starting new product lines for business
  - o Director of Product – Usually found in large companies, becomes necessary to promote strategic alignment and operational efficiency connecting the product to the portfolio vision. Responsible for the strategic roadmap of the product and operational effectiveness of the team
  - o VP of Product – oversees strategy and operations for an entire product line and responsible for financial success of their product line
  - o Chief Product Officer – fairly new, yet critical role for organizations. Oversees a company's entire product portfolio – need to add a CPO is when a company starts to develop a new product, expands into another geography or merges with another company. The CPO must ensure that the entire portfolio is working together to achieve the company's goals

Organizing your teams

- The way teams are structured and have them organize around the work that needs to be done on features and product is important for the success of product development
- Usually, companies organize in three main ways – Value Streams, Features and Technical components
- A Value Stream is all of the activities needed to deliver value to the customer – and includes the processes from discovering the problem, setting goals, conceiving the idea to delivering actual product or service – it is important that this flow is optimized to get value out to the customer faster
- Product managers need to be aligned around value and have teams organized around a strategy.
- When organizations lack a coherent product strategy that is prioritized around a few key goals, they end up spreading themselves thin.

Strategy

- A good strategy is not a plan, it is a framework that helps you make decisions.
- Product strategy connects the vision and economic outcomes of the company back to the product portfolio, individual product initiatives and solution options for teams.
- Strategy creation is the process of determining the direction of the company in developing the framework in which people make decisions
- Good strategy is not a detailed plan. It is a framework that helps you make decisions
- Stephen Bungay says "Strategy is a deployable decision-making framework, enabling action to achieve desired outcomes, constrained by current capabilities, coherently aligned to existing context"
- A good strategy should transcend the iterations of features, focusing more on the higher-level goals and vision. A good strategy should sustain an organization for years

Strategic gaps

- According to Stephen Bungay, when companies approach strategy as a plan, they often fail to achieve what is expected – and this is due to the gaps that exist between outcomes, plans and actions
- The gaps that cause friction within the organization are
    - The Knowledge gap – difference between what the management would like to know and what the company actually knows
    - The Alignment gap – difference between what people do and what management wants them to do, which is to achieve business goals
    - The Effects gap – the difference between what we expect our actions to achieve and what actually happens

Effects Gap
The difference between what we expect our actions to achieve and what they actually achieve

Outcomes

Knowledge Gap
The difference between what we would like to know and what we actually know

Actions

Plans

Alignment Gap
The difference between what we want people to do and what they actually do
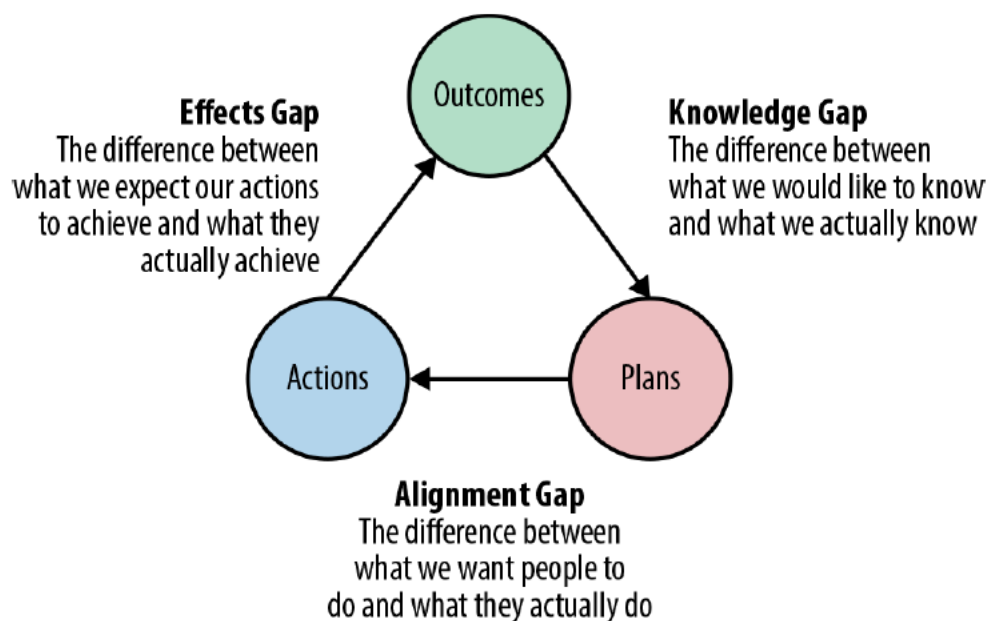
- To solve these various gaps and deliver great products to your customers, you need to view strategy in a different way – enable action to achieve results. This can be done through Autonomous teams
- Autonomy is what allows organizations to scale. Instead of leading by authority, we need to give room to the product management team to make decisions so that you get the full benefit of their knowledge and skill

Creating a Good Strategic framework

- A good company strategy should be made up of two parts – the *Operational framework*, how to keep the day-to-day activities of the company moving, and the *Strategic framework* – how the company realizes the vision through product and service development in the market
- Many companies confuse these two frameworks and treat them as one and the same
- The Strategic framework aligns the company's strategy and vision with the products that are developed by the teams. Having a strong company and product vision that align to the strategic framework helps companies avoid swirl in planning and execution
- Tying budgeting, strategy and product development to a yearly cycle creates a lack of focus and follow through.
- Spotify operates on DIBBS – Data, Insights, Beliefs and Bets.
- The concept of thinking of initiatives as bets is powerful because it sets up a different type of execution
- When strategy is communicated well in an organization, product development and management are synchronized. The company strategy informs the activities of the product development teams and the execution of work on the products and data this produces informs the company direction

Strategy Deployment

- Strategies are interconnecting stories told throughout the organization that explain the objective and outcomes, tailored to a specific time frame – this act of communicating and aligning those narratives is strategy deployment
- Strategy deployment is about setting the right level of goals and objectives throughout the organization to narrow the playing field so that teams can act
- OKRs is a type of strategy deployment, so is Hoshin Kanri. Even the military uses strategy with mission command – all these are based on the same premise – setting the direction for each level of an organization so they can act
- In most product organizations there should be four levels in strategy deployment
    - Vision
    - Strategic intent
    - Product initiatives
    - Options

Strategy Deployment

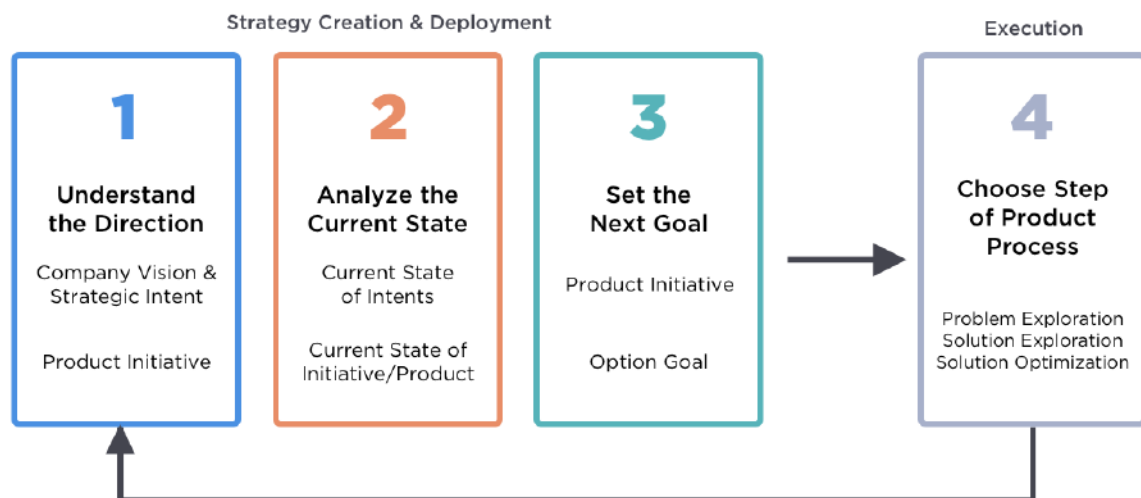|		
Vision	What do we want to be in 5-10 years? Value for customers, position in market, what our business looks like	CEO/Senior leadership
Strategic intent	What business **challenges** are standing in our way of reaching our vision?	Senior leadership Business leads
Product initiative	What **problems** can we address to tackle the challenge from a product perspective?	Product leadership team
Options	What are the different **ways** I can address those problems to reach my goals?	Product dev teams

- The first two are at the company level, the last two are specific to products or services in the company

Strategy creation

- Strategy creation is the process of figuring out which direction the company should act upon and of developing the framework in which people make decisions
- Strategies are created at each level and then deployed across the organization
- Strategy is about how you take the organization from where you currently are and reach the vision. For strategy to be created, you must first understand the vision or where you want to go
- Based on Toyota Kata, Melissa Perri came out with a Product Kata – a scientific systemic way to build better products

The Product Kata

A scientific, systematic way to build better products
by Melissa Perri

Strategy Creation & Deployment / Execution

1 Understand the Direction	**2** Analyze the Current State	**3** Set the Next Goal	**4** Choose Step of Product Process
Company Vision & Strategic Intent	Current State of Intents	Product Initiative	Problem Exploration Solution Exploration Solution Optimization
Product Initiative	Current State of Initiative/Product	Option Goal	

- To understand the direction, you are looking either at the vision, strategic intent, or product initiative, depending on which level you are starting on.
- The current state is related to where you stand in relation to the vision
- Option goals are the outcomes you need to achieve in order to make progress towards your initiative or intent
- Then conduct your product process to experiment around systematically tacking problems to reach your goal

Company Level Vision and Strategic Intents

- The company vision is the linchpin in the strategy architecture. It sets the direction and provides meaning for everything that follows
- Amazon's vision "to be Earth's most customer centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible price"
- A good mission explains why the company exists. A vision on the other hand explains where the company is going based on that purpose
- Vision statements provide focus for the company. They are short, memorable and clearly articulated
- Strategic intents are aligned to the current state of the business. "*What is the most important thing we can do to reach our vision, based on where we are now?*" should be the guiding factor in determining what the intents are
- Joshua Arnold uses a great model for thinking about business value – it is about increase revenue, protect revenue, reduce costs, avoid costs
- Strategic intents should be at a high level and business focused. They are about entering new markets, creating new revenue streams, or doubling down in certain areas

Product Vision and Portfolio

- Product initiatives translate the business goals into the problems that we will solve with our product. Product initiatives answer "How"
- Product initiatives set the direction for the product teams to explore options. They tie the goals of the company back to a problem we can solve for users or customers
- The Product vision communicates why you are building something and what the value proposition is for the customer. Amazon has a Press Release Document for every product vision – which describes the problem the user is facing and how the solution enables the user to solve the problem
- Companies with more than one product often wrap their products under a Product Portfolio. Very large companies have multiple product portfolios, all aligned by the type of value they provide to customers e.g., Adobe has Adobe Creative Cloud as product portfolio which includes Photoshop, Illustrator, InDesign among others
- The Chief Product Officer (CPO) is responsible for setting the direction and overseeing the Product Portfolio
- The CPO answers the following questions
    - How do all our products work as a system to provide value to our customers?
    - What unique value does each of the product lines offer that makes this a compelling system?

- What overall values and guidelines should we consider when deciding on new product solutions?
- What should we stop doing or building because it does not serve the vision?
- The Product initiatives emerge from the work that needs to be done across the product portfolio to achieve the strategic intents and to further product vision
- For the portfolio, you need to look at all the things that need to be accomplished to balance your investments, the number of people and the capacity you are putting in each area in order to achieve success across the board

Product Management Process

- Product managers use a process to identify which of thoese problems the team can solve to further the business and achieve the strategy.
- Product managers can rely on Product Kata to help them develop the right experimental mindset to fall in love with the problem rather than the solution – they continue iterating till they reach the outcome

The Product Kata

- The Product Kata is the process by which we uncover the right solutions to build. It is a systematic way that teaches product managers to approach building products from a problem-solving standpoint.
- The Product Kata helps product people form incredibly impactful habits
- Since Lean Startup emerged, experimentation has been a hot button topic in many software companies.
- For Product Kata, we ask ourselves the following
  - What is the goal?
  - Where are we in relation to that goal?
  - What is the biggest problem or obstacle standing in the way of reaching that goal?
  - How do I try to solve that problem?
  - What do I expect to happen?
  - What actually happened, what did we learn?
- These questions take us through problem exploration, solution exploration and solution optimization phases. The steps we choose to take and the tools we implement to do will change based on where we are
- When the problem you are solving is core to your value proposition, take a step back and don't rush into the first solution. Use your unique context to set you apart from competitors – experiment with a few ideas before committing to one

Understanding the direction and setting success metrics

- Product metrics tell you how healthy your product is, and ultimately, your business, given that a healthy product contributes to overall health of the business.
- Keeping a pulse on your product is crucial for knowing when you should act and where
- Teams tend to measure "*vanity metrics*" – goals that look shiny and impressive because they always get bigger. E.g. how many users are there on the product, number of daily page views, number of logins the system has etc.

- Though Vanity metrics look good, they do not cause you to change your behavior or priorities
- You can easily turn a Vanity metric into an actionable metric by adding a time component to it
- Product teams also measure output-oriented metrics such as number of features shipped, story points complete, or user stories worked on – all these are good productivity metrics, not product metrics
- Pirate metrics – created by Dave McLure, talks about the life cycle of users through your product. It is like a funnel
  - Users finding your product is *Acquisition*
  - Users having a great first experience is *Activation*
  - Keeping users returning to your product is *Retention*
  - Users recommending others because they love your product is *Referral*
  - Users paying for your product is *Revenue*
- Kerry Rodden, a Google created the HEART metrics which measures
  - Happiness
  - Engagement
  - Adoption
  - Retention
  - Task success

Problem Exploration

- Product managers are often spoken about as the "voice of the customer" - yet too many of us are not getting out and talking to customers as much as we should.
- User research, observations, surveys and customer feedback are all tools that you can harness to better explore the problem from a user standpoint
- Problem based user research is generative research – its purpose is to find the problem you want to solve. It involves going to the source of the customer's problem and understanding the context around it. When you understand the context around a customer's problem, you can form a better solution to solve it
- It is not the customer's job to solve their own problems. It is your job to ask them the right questions

Solution Exploration

- Companies often confuse the building to learn to building to earn. Experimentation is all about building to learn. It allows you to understand your customers better and to prove whether there is value in solving a problem
- Experiments should not be designed to last a long time – they are meant to prove whether a hypothesis is true or false and do this as quickly as possible
- MVP not about getting a feature out quicker – the most important piece of MVP is the learning and hence "it is the minimum amount of effort to learn"
- The Product Kata is a great tool for learning – it always asks the question – "*What do you need to learn next?*" – which keeps the team on track and sets it up to create the right type of experiments

- *Concierge experiments* deliver the end result to your client manually – they do not look like a final solution. It does not involve coding, but since you are interacting with customers closely there is a lot of feedback and tight learning loops
- *The Wizard of Oz* is another method used by Zappos where they validated the demand for buying shoes online without building an entire site
- *A/B testing* involves splitting a portion of your traffic to a new solution idea to see whether it moves a metric compared to the current state of the site
- *Concept testing* focuses on high touch interaction with the customer – use of wireframes or prototypes and pitching the solution idea in the fastest, lightest way possible to convey the message
- Usually, these kinds of experiments are used for higher amounts of uncertainty and larger risks in solution ideas
- Prototypes are the most popular tools for testing – when you need to learn whether a specific user flow or feature solves a problem for the users and allows them to achieve their desired outcome – prototypes is the way to go

Building and Optimizing your solution

- Once the product vision is established, it is important that everyone understands the context and the work that needs to be done
- *Story mapping* and *North Star documents* are two ways to help teams find alignment around the vision
- A North Star document explains the product in a way that can be visualized by the entire team and the company. This includes the problem it is solving, the proposed solution, solution factors that matter for success, and the outcomes the product will result in
- Story mapping helps teams break down their work and align around goals. Its purpose is to help the team communicate about their work and what needs to get done to deliver value
- Prioritization is a top issue for Product managers – and tools like benefits mapping, Kano models and Cost of delay could be used to help determine which ones to ship sooner
- Cost of Delay combines urgency and value so that you can measure impact and prioritize what you should be doing first
- When you think of building and releasing the first version of the product, you need to consider the tradeoffs between the amount of value you can capture with the scope of the release and the time it takes to get it out of the door – it is an optimization problem
- Definition of Done – "a checklist of valuable activities required to produce software" – though is a useful concept to make sure the team finished what it needs to do, sets the wrong expectation about what a finished feature is

Product-led organizations

- The Product-led organization is characterized by a culture that understands and organizes around outcomes over outputs, including a company cadence that revolves around evaluating a strategy in according to meeting outcomes
- Management encourages product teams to get close to customers and product management is seen as a critical function that furthers its business

  Outcome focused communication

- If there is one main reason that companies fail to make a transition it is the lack of leadership buy in to move to an outcome oriented company
- Leaders talk of achieving results – they still measure success by features shipped
- Many companies fall back to bad habits because they have not figured out how to consistently communicate progress across the company in the form of outcomes
- We need a cadence of communicating strategy that matches our strategic framework – the four levels of strategy – vision, strategic intent, product initiatives and options are on different horizons and the progress towards them have to be communicated differently
- Some of the core meetings are Quarterly Business Reviews, Product Initiative reviews and Release reviews – are ways to indicate progress and raise any red flags that needs attention
- We usually consider Roadmaps as a Gantt Chart – it should be viewed more as an explanation of strategy and the current stage of your product
- Product Roadmaps must be updated regularly – and this needs to be communicated in the right manner to match your audience – the customers, stakeholders, leadership etc.
- Roadmaps typically consists of few key parts
  - Theme
  - Hypothesis
  - Goals and success metrics
  - Stage of development
  - Any important milestones
- Great communication in the form of working agreements, meeting cadences and roadmaps can solve many of the alignment problems in the company – and can help the company move from being sales-led to product-led
- It is good to have a *Product Operations team* to make the shift from a sales-led to a product-led organization.
- The Product Operations team is involved in streamlining all operational and process work to make the product successful and their responsibilities include
  - Creating automated and streamlined ways to collect data on progress towards goals and outcomes across teams
  - Report on goals, outcomes, roadmaps, progress, capacity and costs across the product organization
  - Set up and maintain a product analytics platform to report on platform engagement metrics
  - Standardize product processes that go across teams such as strategy cadences, experimentation tracking and feedback, documentation on product features, collecting feedback, setting goals, creating and maintaining roadmaps etc
  - Organize and run critical product meetings for strategy creation, stragtegy deployment, releases etc
  - Conduct any coaching and training for product teams
- A Product Operations Team is a critical component to a well run product organization at scale. It promotes good communication and alignment of the organization

Rewards and Incentives

- Rewards and incentives are motivations for employees in every company. However, the biggest issue is they don't evaluate their current reward structures to make sure they incentivize the right behavior
- Rewards and incentives don't just affect product teams – but other parts of the organization as well. We see sales teams overpromise in order to make their commission numbers not taking into account the capacity of the team in developing the new features
- Rewards should ideally be for achieving outcomes, learning about your users, finding the right business opportunities

Safety and Learning

- Many companies talk about how they want their people to be innovative and how they want to create new products – but there has to be an understanding that it is safe to fail in order to get innovation
- When you don't have safety built in, your product managers wont feel comfortable trying something new
- Experimentation is the ultimate risk management strategy – when you experiment early you can prevent the failure of something you will have spent billions of dollars later
- Adopting a product mindset and giving the people freedom to fail, - allows them to fail quickly at a lower cost because they are testing early

Budgeting

- One of the factors that leads to the output over outcome mindset in organizagtions is the way they do budgeting.
- Since budgets are done on an annual basis, it kills the team's ability to change course at all through out the year. The organization is preventing itself from rapidly learning and iterating
- Product led companies invest in and budget for work based on their portfolio distribution and the stage of their work
- This means allocating the appropriate funds across product lines for things that are known knowns and ready to be built and it means setting aside money to invest in discovering new opportunities that will proper your business model forward
- It is best to allocate funds to the product portfolio as a whole and then use product initiative reviews to determine what should be funded based on the amount of certainty towards the outcomes

Customer Centricity

- Jeff Bezos "The most important single thing to focus obsessively on the customer – our goal is to be earth's most customer centric company"
- Customer centricity is about putting yourself into customer's shoes and ask "What would make my customers happy and move our business forward"
- Knowing the most important thing you can do to create great products is to deeply understand your customers – the core of what it means to be product led

Six questions to determine whether your company is product-led

- These six questions can help you ensure that the company will support and encourage you to do everything you can do to succeed
- *Who came up with the last feature or product idea you built?*
    - The product manager should be leading the charge to discover user problems and solve them. It is a huge red flag when a team cannot take ownership for what it is building, but it cannot even tell why it is building it – They why and the What are not connected
- *What was the last product you decided to kill?*
    - Inability to kill a product or idea that will not help a company reach its goals is an unhealthy product management culture – this could be due to early commitment to the customer without validating the idea, issues with budgeting, and not allowing pushback to management
- *When was the last time you talked with your customers?*
    - Without a healthy dialogue between a company and its customers there is no way to truly learn about what the customers want or need. Organizations set up for success not only allows product managers to talk to customers, it encourages them to do so and recognizes this as part of his job
- *What is your goal?*
    - If the product manager cannot articulate a clear goal, it is a sign of poor product management at the organizational level. If the product manager has a goal but is more output centric rather than outcome focused, also signifies that it is an unhealthy product team. The purpose of the product manager is to create value for the business but creating value to the customer
- *What are you currently working on?*
    - A truly successful product management talks more passionately the product development team is solving than the solutions they are shipping. If they talk about what big problems they are tackling for the user / business, the product manager is on the right track
- *What are your product managers like?*
    - A good product manager knows that getting buy in from the whole team is crucial. The product manager is not the only person who should be coming up with the ideas but should instead be harnessing their team's full capacity. The dream organization is for product people is one that sees product managers as leaders who help shape the direction of the company and the services they provide to the customers

***************************xxxxxxxxxxxxxxxxxxxxx***************************