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# To Startup or Not to Startup?

*By Paul Young and John Milburn*



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WANTED: Product manager to work in exciting, fast-paced startup! Must be willing to accept longer hours for less pay. Ability to wrangle founder's gigantic ego a plus. Time management a must, but don't kid yourself—you'll never get it all done. Unlimited Mountain Dew's are free, but the adrenaline rush from seeing your decisions make or break the company is priceless.

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If you've entered a start-up company as a product manager... congratulations! You've taken a step that many people aren't willing to take. Most startups don't have a formal product management function until their later stages; the founder *is* the company's first product manager. By virtue of the founder being "in the market," he or she is both familiar with the problems of the target customer and passionate about solving them—often having firsthand experience with the problems. If the founder is wrong, the company fails. If he or she is right, the first generation of the product sees enough success to grow the company. Then the problems begin.

After starting a company, the founder is no longer *in* the market. The responsibilities of starting, funding, and running a company mean that there is no longer enough time to spend in the market. Soon the founder begins to make assumptions about what the market needs based on personal opinions or what he or she would like in the product. Worse, if the first-generation product was a major hit, the founder assumes that it was his or her own divine wisdom, and not the fact that solving a market problem created the early success.

If the company has the rare, wise founder who recognizes their personal limits of ability and time, he or she will introduce product management to the organization. More likely, the rest of the executive team or the board of directors recognizes that the current mode of defining and developing products is not sustainable.

At this point, you may hear about this great opportunity at a hot new startup. After a series of intense interviews, you decide to give up your product management role at "BigCo" to come to "LittleCo" and be a startup product manager.

### What to expect

To a big-company product manager, working for a startup can look like a dream. Having a huge impact on the company's success or failure—coupled with the rush that comes from knowing that your ability to listen to the market guided the company to new heights—can make the red tape of a large company look boring and stodgy.

Ask product managers in large companies about their frustrations and challenges, and they complain about too many processes, too many checkpoints and people involved in decisions, poorly defined roles, too much to do, too much time spent on current "legacy" customers, too much focus on new "cool" technology, and no time for strategic planning. But, the grass isn't always greener in a startup.

Ask product managers in start-up companies, and they complain about the lack of defined processes, checkpoints, roles, their feeling of being buried—with too much hinging on their personal decisions, their lack of customers and a regular revenue stream, too much focus on new "cool" technology, and no time for strategic planning. Do you see a pattern?

Most expect that product management in a startup requires a greater time commitment than similar roles in other, more established companies. Undoubtedly, the personal and time demands of spending your or your investors' money—as well as working for maniacal executives—can take a toll on your personal life. I'll never forget coaching a Saturday morning youth baseball game and having to delay the game while I took an emergency call from my nervous CEO—"No, *this CANNOT wait an hour!*" In a large company, the investors usually don't have faces or names, and most of us find ways to creatively avoid or work around overly demanding bosses. →

## Challenges in a start-up environment

The Pragmatic Marketing Framework helps define the strategic role of product management. It is organized with strategic activities on the left, and it transitions to tactical ones on the right. In a start-up environment, the overall lack of resources typically pressures the product manager to spend an inordinate amount of time on the right, or tactical, side. There are rarely pre-sales engineers to delegate the presentations to; no intranet FAQs or RFP responses; no “canned” demos to generate technical interest; no go-to-market departments for launch activities and plans. The “buck stops here” with the product manager in a startup, and it can appear that product management in a startup is hopelessly mired in tactical activities.

Let’s take a step back. What value does a product manager add to a start-up environment, and is that value primarily tactical?

In an established company, the role of product management is usually fairly well defined. In a startup, *you* must define what being a product manager means. Our experience is that this means regularly asking for forgiveness instead of permission. Time is your biggest enemy in a startup. Every second is precious, and you don’t have time to convene meetings for minutiae.

At a large company, it may be enough to be a product *manager*, but in a startup you must be a product *leader*. Being a leader means that you have the confidence

to invent a new way of doing things and to say “*This* is our new product management process.” You are the only person who can define what product management means in a startup.

At a start-up company, your boss doesn’t have the time to micromanage your activities, and you have to be a self-starter. Since startups attract smart, confident people—all of whom want to make an impact—the product manager who doesn’t forcefully state his or her strategies and lead the product will be pushed into being tactical by default. To make this shift, you have to live “on the framework”—the Pragmatic Marketing Framework.

Pragmatic Marketing teaches the *what* of product management. In a start-up company, implementing the *how* is usually up to the product manager as well. In theory, executives, your boss, and your peers may understand the strategic value of product management. In practice, there are so many tactical activities that need to get done that product managers can easily find themselves buried just trying to “keep the lights on.” In order to transition from the right side, or tactical side of the framework to the left, or strategic, product managers must think about the value they bring—relative to how the company came to be today.

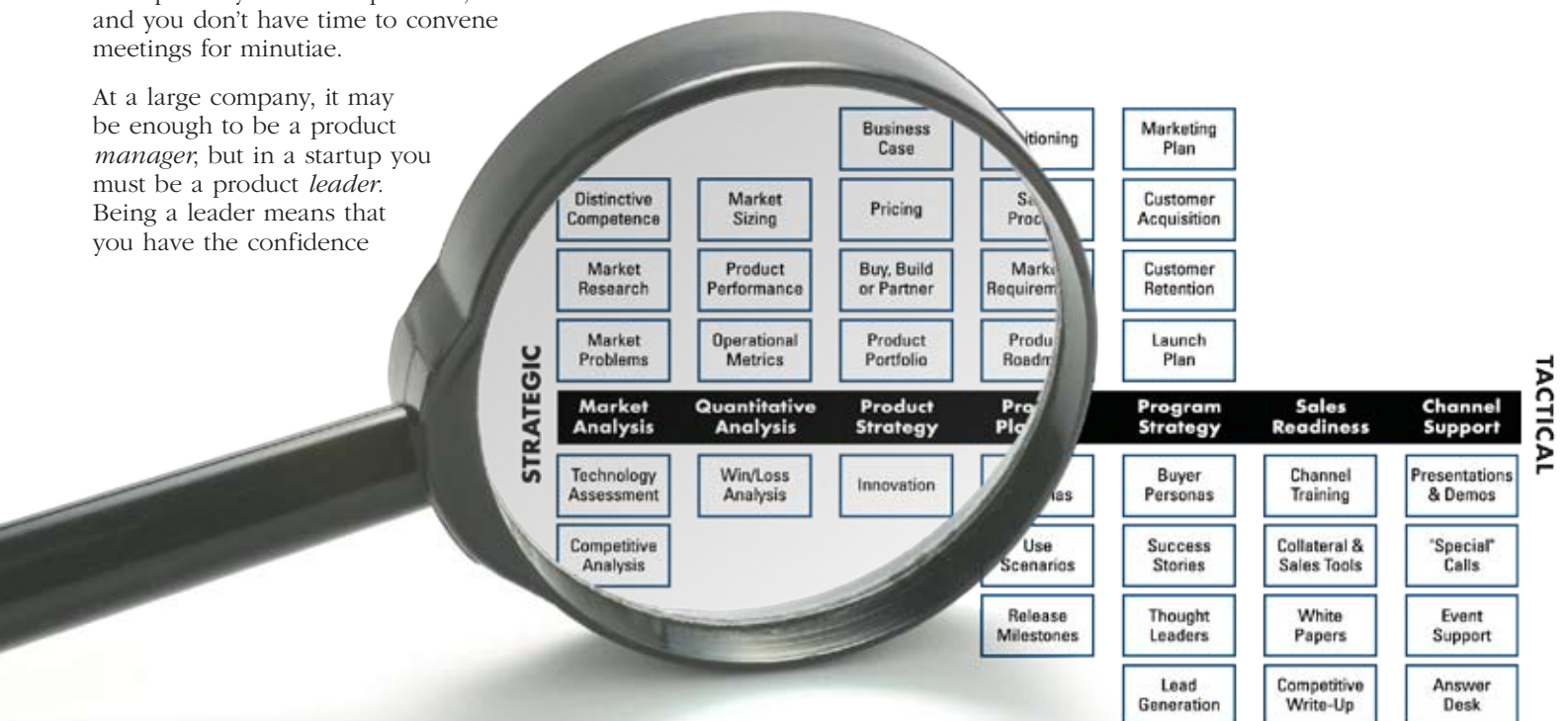
## Focus on focusing

When the start-up company got its initial funding, on what facts did the investors base their decision to invest? From the left side of the Pragmatic Marketing Framework, of course!

At a minimum, investors want to know answers to questions such as:

- What is your competitive differentiation and barriers to entry (Distinctive Competence)?
- What market problems will your company and its products solve (Market Problems)?
- How will you beat the competition (Competitive Analysis)?
- Do you have a business case (Business Case)?

As a result, some people may think that all of the strategy work is done, and now it’s time for execution. Don’t buy it; if the executives wanted tactical, they could have hired a sales engineer, technical support rep, or project manager for far less than they are paying for you. You, as the product manager are uniquely positioned by your dialogue with the market to spot the blind spots in the company’s strategy and fill them with product or effective market positioning.



The Achilles' heel of every startup is what happens *after* the initial funding. Product managers are quickly pulled to the far right. There are sales people to train and provide with tools, websites to build, tradeshow to quarterback, datasheet, press releases and other collateral to proof, t-shirts and hors d'œuvres for the VIPs to order. What about lead generation or outbound marketing activities? Where are the whitepapers?

Where many product managers fail in this environment is when they get mired in the tactical activities and lack the strength or ability to return to the left. That is a strong statement—but, if you find yourself constantly stuck on the right side, it may be time for a heart-to-heart talk with yourself or your boss.

The position of product manager is a strategic one. And, if your activities are completely tactical, you are either not adding the right kind of value, or you are no longer a product manager—you are more like the *product janitor*. Even worse, you may be directly contributing to the company's problems by allowing everyone in the company to be less market-facing. Product and planning decisions that are based solely on right-hand information succeed on legacy and luck. To become tuned in, a product manager must have the internal fortitude to explain that the right side is a *necessary*, but *insufficient* plan for company success.

In a start-up company, product managers must play a dual, and oftentimes schizophrenic role—another aspect that is drastically different than that of a large company. Product managers must ensure that deals are being closed, so they wind up selling or in a sales support role. They are often the authors of contracts and are closely involved with negotiating discounts and other contract terms. But, while they are delivering on the tactics, they must work diligently to

build a vision and direction for the entire company that will take them beyond the early wins and provide a sound basis for future growth.

Startup product managers must also learn to deal effectively with egomaniacs. While definitely not unique to young companies, startups have a tendency to attract Type A, aggressive personalities. Often, the confidence required to found a company and grow it into an organization large enough to require product management spills into general cockiness on the part of the founding team. Some startups even have different classes of employees—those who were there from the beginning and carry the war wounds of working inside the founder's garage, and the new guys who just don't understand (hint: You are the latter).

The lead technical person who has been there from the start will be the first to challenge you. "Who are you to tell us what to develop? Yeah, I'll read your fancy 'MRD' just as soon as I finish my impossibly long bug list (which means never)." This is a big issue for a new product manager. In theory, you wield great influence over the products and decisions that drive the company, but it won't ever matter if the people you need to help you aren't on board with you.

You must be aggressive, too, but choose your battles. Build relationships with the key players you need, such as the V.P. of Development, or you'll be finished before you start.

### The risk/reward equation

Most people believe that working for a start-up company entails much greater personal risk than working for a large, established company. But, the financial or career risk is debatable; just ask anyone who's been laid off from a large company.

Venture capitalists will tell you that startups have a greater chance of success when the founders have made a significant personal financial stake—that spending their own money creates a higher level of commitment and desire to succeed. But, rarely are founders of today's start-up companies investing their life's savings or risking the security and futures of their families to start companies. Not that their investments aren't sizable, but as a percentage of their overall wealth, most founders have fall-back strategies. And if the venture fails, founders have little difficulty finding other companies to lead.

But let's go back to the product managers who weren't founders. Here again, living through a company that fails is not a "scarlet letter" against future positions. Many executives agree that product managers can learn more through failed companies than with successes. In fact, having a couple of failures can actually *enhance* your marketability for future positions—if you can demonstrate a learning effect that benefits your next role.

Startups are all about taking great risks for great rewards, so a start-up company typically rewards a more aggressive, risk-taking attitude to increase the odds of the investors getting a multiplier in return on their investment. The freedom to take product risks is more acceptable and visible in a startup. But, successful product managers in large companies are also risk-takers. The difference is that the exposure to failure is greater in a start-up environment since product failures in large companies are easier to absorb. →

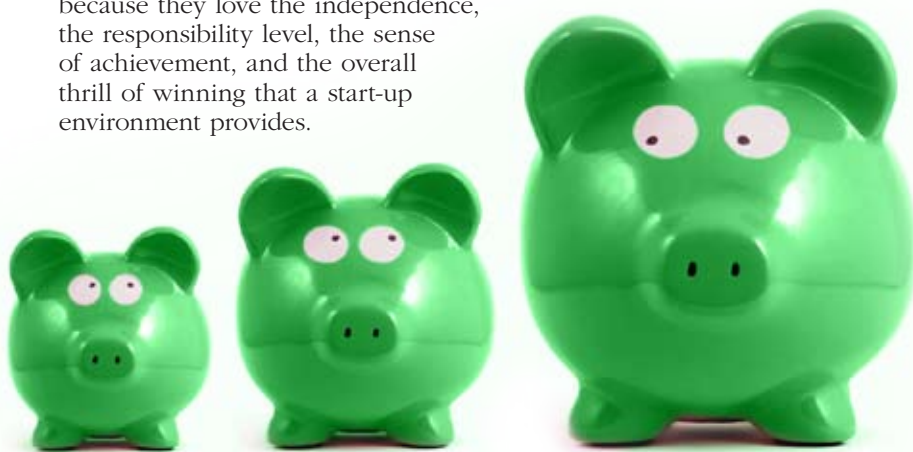


## Money and life

Can you make more money at a startup? Generally, no. Sure, we all know product managers who are financially set for life because of an IPO or acquisition they were lucky enough to have lived through. But, for every one wealthy professional, we can show you many more that did *not* make the big payday. Good companies fail. The stock can become so diluted that only the largest investors or the original founders make any significant return. Yet many of us are still plugging away, with the dream of a significant financial event in the future.

For professionals with similar education and experience, the overall financial package (benefits, insurance, and salary) is generally higher in a large company than in a startup. Even the founders and C-level executives can usually make more in a large company. But that is not the point. Startups give product managers the chance to step up to higher responsibility levels, perhaps as a director or manager, much more quickly than in large, established companies.

The ability to lead other product managers and make hard decisions is a key skill for which all product managers should strive if they aspire to lead an organization in the future. Most successful product managers at start-up companies will tell you that the compensation package is not why they are working so hard. Rather, it is because they love the independence, the responsibility level, the sense of achievement, and the overall thrill of winning that a start-up environment provides.



## Work-life balance

Achieving a good work-life balance is something with which all product managers—regardless of company size, industry, or experience level—constantly struggle. In a startup, the pressure is on to achieve results at all costs. Often, this fosters a heightened sense of team, since everyone is in the same boat—sink or float. The money counter is always ticking, however, and most startups never achieve profitability.

That pressure can manifest itself in ever-more hours and ever-more encroachment into your personal time. As in any company, achieving a good work-life balance is a matter of good time management, prioritization, and boundary-setting abilities. Turn off the “crackberry” and have a quiet dinner with your significant other. Your email will still be there in a few hours, and your company should respect you for drawing a line in the sand. You *can* work in a startup and still have a life—we do it every day.



### Should you work for a startup or a large company?

Look in a mirror. Analyze what you are good at and enjoy doing:

- Are you impatient? Or, to be even clearer, do you have maniacal impatience? If so, then a startup might be a great fit. In large companies, patience and long-term planning are more important to your overall survival and career growth.
- Aggressive behavior can be a huge plus in a startup. A Darwinian approach is often the only way to succeed and survive. Teaming and communication skills are of far greater importance than individual aggressiveness in large companies.



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- Are you driven by leading projects without a formal organization structure, or do you aspire to manage people and organizations? Both startups and large companies need good managers and leaders, but there are many more management opportunities in large companies than in startups.
- Can you blaze new trails, or do you like a well-worn and defined path? Pricing, packaging, and market segmentation are very difficult in a start-up environment. There is no track record or installed base to analyze, and sales people may wield much more power in product decisions. In large companies, there are typically well-defined practices and processes.
  - Personal relationships in a startup are generally not as deep or long-lasting as in large companies. The social network in a startup is the drive to make the company successful—not in nurturing and supporting the team. In large companies, teamwork and overall teaming skills are key principles of behavior—and usually part of individual performance plans.



If you have the skills and attitude to work in a startup, don't be afraid to make the leap. Good product management skills will follow you. Regardless of where you ply your trade, if you understand what it means to be tuned in, if you remember that "your opinion, although interesting is irrelevant," and if you have a good sense of what you are good at and *like* to do, then you will succeed in any environment.

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