


Migrating From a Product Manager to an Entrepreneur

By Gopan Madathil



Most product managers love their job. Being the “virtual CEO” of a product and directly responsible for its success is an incredibly satisfying experience. It’s no wonder that many entrepreneurs and CEOs have adorned the title of product manager at some point in their career. Working as a product manager for an established product line hones your ability to look at the big picture, but there are other key factors you should consider as you dream of building the next Yahoo™ or eBay™ on your own.

Even incredibly smart individuals who are first-time entrepreneurs often underestimate what it really means to build a successful technology startup. There is no perfect formula. Most of us already know “cool products” don’t necessarily make great sustainable businesses. Product managers are fortunate to have access to potential customers and should test the market or validate concepts before building a technology startup. If you decide to take the plunge, here’s a top-ten checklist of things to consider first. →

1. Define the problem

Does the proposed product meet viable new product criteria? This is the most important thing that you need to consider. As a product manager, you may have worked on introducing newer releases or “extensions” to your product family rather than starting from scratch. As an entrepreneur, you will look for the “yet-unsolved” problem that needs to be addressed. Ask yourself:

- What critical and yet-to-be solved business problem are you trying to solve?
- Is there an alternate solution to the problem?
- Do you have existing competitors?
- What’s the business driver for the new product being developed?

2. Market opportunity

Most product marketing managers do assess market opportunity for their products on a periodic basis. If you’re a technical product manager and have never performed a market opportunity analysis, consider getting some assistance. The purpose of this exercise is to further define the markets (and segments) that your product will address. It will also help you arrive at the total potential product opportunity, which is one of many important metrics that venture capitalists (VCs) look for. Conducting a market opportunity analysis will help you with forecasting sales for your product. If you are developing a product that has a broader appeal (across multiple target market segments), analyze where you can gain the most immediate impact. Having initial traction and customer adoption of your product in a particular market segment not only validates your business model, but also helps investors understand the pain your product is solving.

One word of caution—avoid using broad market projections that are forecasted by analyst firms. If your product is actually part of a broader market segment defined by the analysts, then perform necessary due-diligence so you know your “piece of pie.” Also, if you’re seeking venture funding then market size becomes even more crucial. As John Kunhart of American River Ventures puts it, “To achieve a VC-type return, companies need to have the potential grow to \$50 – 100M in revenue in a few short years. In order for companies to grow big enough, fast enough, the Total Available Market (TAM) should be as big as \$1 billion or more.” Most VCs look for the same thing in a potential company—an experienced management team, a large and growing addressable market, potential for superior gross margins and high exit-multiples.

3. Focus, focus, focus

After having spent a few years as a product manager, I learned that half of the time a product manager’s job is about making decisions rather than actually performing the task. Having a team focused on developing a product or a release while being vulnerable to feature creep is nothing new to product managers, but *focus* is particularly more important for an early-stage business than it is for an established product or business. As a startup, you have a natural edge over larger competitors in being able to decide and execute with much better precision. Are you and your team really taking advantage of this strength? Or are you finding yourself in an ocean of endless product possibilities with no specific focus?

4. Sustainable advantage

Are you the world expert in your product niche? Remember, unless you’re starting a services business, you must become the leader, or one of the top three vendors, in your marketplace. The business can’t sustain itself otherwise. Continue to build mindshare and market share to grow your business. So, ask yourself:

- Can you become world expert in your product niche?
- What is your unique advantage in building a competitive edge?
- Are you creating any unfair advantage?

5. Force of will

Product managers working for larger established businesses are accustomed to having a team of talent at their disposal, adequate funding for product development, and the management team’s blessing. While you may have been part of the process of shutting down product lines, as an entrepreneur, you must look beyond the common tactic embraced by established business—that of layoffs and product cancellations. You cannot afford to fail. Ask yourself if you have the force-of-will to make things happen regardless of the inevitable obstacles. Funding could take time and there could be substantial work to be done before you get funded. Or if you don’t need external funding are you able to steer the organization through the initial customer shipment and beyond?



6. Know where you need help

Unlike being surrounded by a large pool of talent, you may find yourself with limited resources in the early stages. While you and your team have unique strengths and core expertise, you need to recognize your weaknesses. Knowing where the voids exist is an important step in asking for assistance. Once you know that, the next task is to identify someone who can help.

- Are you focusing on your core strengths and actively looking for other team members to strengthen your weaknesses?
- Are you spending time working on what is truly important? For example, if you're in charge of building the product, are you spending a significant amount of time negotiating legal contracts? If so, find someone else to do that for you.
- Do you need external expertise? Have you thought about putting together an external advisory board? Is there someone who can complement you in areas where you don't have the expertise?

7. Go-to-market strategy

More often than not, as product manager or product marketing manager, you have found yourself making a business justification internally within your organization. And the most commonly asked question was, "What is your go-to-market strategy?" For those who haven't been in this situation before, remember that this is your opportunity to tell your investors how you intend to acquire customers and build revenue for your business.

Trust me; "go-to-market strategy" is much more than a consultant buzzword. In simple terms, after identifying an unsolved need that people are willing to spend money to resolve, you must decide how you intend to go about acquiring customers. Assuming you have identified the price point, what's

your strategy to acquire customers? Some of the other questions that you need to answer are:

- What is your sales model?
- Are you selling directly to the customer or through channels?
- Are there any barriers (e.g., language, cultural) selling into the particular market?
- How are you going to create awareness for your product?
- What kind of resources do you need to achieve your sales and marketing goals?

8. Money management

As a founder or founding CEO, you not only provide leadership to the team, you also have responsibility for making sure the business succeeds. In the run-up to getting the product out the door, you may have overlooked some immediate financial challenges. As you continue to build your business, do you:

- Have a limited bootstrapped budget? Are you making sure that money is spent wisely on the right things?
- Have enough money to last until you have achieved positive cash flow?
- Need to raise capital? Who's actually focused on raising capital?

9. More focus

You have succeeded thus far due to your unwavering focus in building the initial release product and successfully managing money. As you continue to grow, question whether each task contributes to or diminishes the organization's focus. Put each of your "new initiatives" through the "focus-microscope" and ensure you can continue to win in the marketplace. Make sure you spent your time, energy, and money on the right things.

10. Expanding beyond your first product

Sure, you are eager to broaden your organization's product portfolio as well as take advantage of the installed base. No sensible entrepreneur can resist the urge to grow the organization's revenues. So think about how you can broaden the market. Have you already expanded geographically beyond your initial target market? Are there areas adjacent to your core market segment, which are prime candidates for product expansion? Are there new vertical markets to conquer?

When introducing new products to the same customer base, ask yourself: If we were to literally give away the software for free, how many of our current customers would use it? If not, why not? Should you find that all or most customers would use the new product, then figure out how to get them to pay for it.

Final thoughts

You may have heard of this old adage: "Give a man a fish, you feed him for a day; Teach a man how to fish, you feed him for lifetime." The entrepreneur's version of the same adage should read like this, "Teach an entrepreneur how to fish, and look forward to the opening of a chain of seafood restaurants." Perhaps the statement underscores the importance of the vision and drive needed to become an entrepreneur.



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