

Key Lessons Startups Can Teach Enterprise Product Managers

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Product managers in larger organizations often view startup practices as less mature, more reactive and ill-fitted for their companies. But there are many practices that large enterprise companies can adopt to deliver greater customer value, faster time-to-market and improved product innovation.

Overview

Key Findings

- Startup product culture typically embraces fast-paced decision making, high levels of experimentation, and a strong emphasis on customer problems and value, with the most successful startups pivoting nearly five times before achieving success.
- Large enterprise product culture is often more elaborate, deliberate and constrained by existing customer needs or market expectations, which results in less ability to rapidly iterate and respond to changing needs and conditions.
- The tension between perceptions of “enterprise” and “startup” cultures often result in both cultures rejecting potentially beneficial behaviors, processes and practices used by the other.

Recommendations

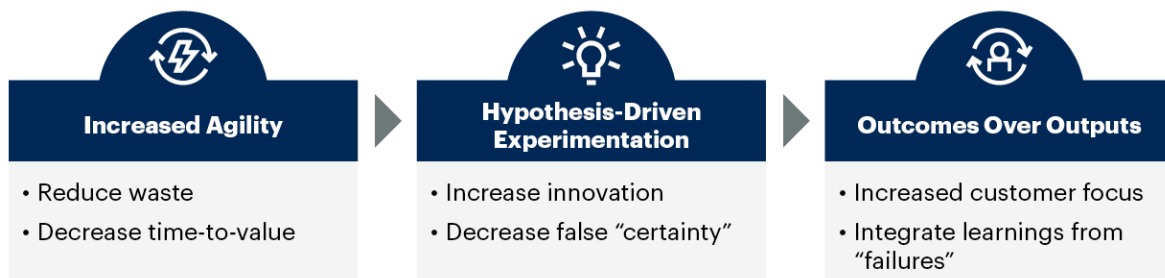
- Replace wasteful processes and artifact creation such as technical specifications with detailed design decisions supported by user stories and strong acceptance criteria to move faster and bring more customer value to market.
- Reclaim the benefits of hypothesis-driven experimentation by eliminating wasteful practices that value the appearance of certainty and precision over the reality that customer-focused innovation requires identifying risks and testing assumptions rapidly and iteratively.
- Optimize every aspect of the product process to include consideration of outcomes over outputs in prioritization, delivery and success. Resist internal pressure to “deliver” on time, in scope and in budget in ways that compromise the delivery of actual, sustainable customer value.

Analysis

Product managers in large enterprise organizations often view the practices of startups and growth-stage companies as inapplicable to the scope, scale, and value of their work. This could not be further from the truth as the markets and customer needs for which enterprise organizations offer value change as fast as those addressed by startups. There are three specific areas in which enterprise product managers can and should adopt the lessons and best practices of startup companies to improve their outcomes and customer value, listed in Figure 1.

Figure 1. Lessons Startups Can Teach Enterprise Product Managers

Lessons Startups Can Teach Enterprise Product Managers



Source: Gartner
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Reduce Waste and Decrease Time to Value Through Agility

The transition from a startup into growth and growth into a full-fledged enterprise often comes with massive changes in organizational structure, as the complexity of problems being solved and the sheer number of employees increases. Unfortunately, an avoidable side-effect of this transition is the loss of the agility and flexibility commonly associated with startups and growth-phase companies. Increasing levels of management oversight and executive-level direction diminish many of the values and practices that led to the product team's success in the early days. The increase in middle-layer management, process for process's sake and required justifications for expenditures leads to a rigidity that inadvertently increases waste and time to market. In fact, in an effort to "scale" agile practices through approaches such as Large-Scale Scrum (LeSS) or Scaled Agile Framework (SAFe), many organizations hamstringing their product teams rather than supporting them, due to the increased oversight required by such approaches.

Most product teams would benefit from lighter processes and more freedom to make decisions and commit resources to the most important and impactful efforts in the moment. Rather than attempting to plan ahead three to six months, empowered product and development/engineering teams need the support to deliver customer value with light requirements (such as basic problem statements, high-level epics and user stories), broadly estimated returns on investment and a reliable pool of funding. The misguided expectations that product managers and teams should fight for resources, be forced to justify every expenditure and be "certain" about their efforts prolong time-to-market and delay time-to-value. It also leads to less risk-taking, less innovation and overall less customer value. Instead, product managers need the following value-enabling practices to be successful:

- Involvement in the definition and application of business strategy
- Open pools of budget cut by priority and objectives rather than product or product line
- Clear articulation of the KPIs, objectives and key results (OKRs), or priorities that the business expects them to achieve
- Dedicated pool of development/engineering/quality assurance resources
- Empowerment to make both strategic and tactical decisions based on continuous discovery practices
- Deep understanding of the user, customer and market to identify opportunities for new value

All of this allows enterprise product managers to be more startup-like nimble, to respond more quickly to changing market conditions, and to ensure that whatever is being worked on is likely to deliver actual customer value. It does require that enterprise product managers be more strategic, focus more on external discovery and validation, and reduce the time they spend on day-to-day tactical delivery activities. The faster the product team can identify, validate and deliver value, the more value they will deliver over time, and the more successful the business will be.

Table 1 lists some examples of this transition:

Table 1: Transformations for More Agile, Flexible Enterprise Product Management

Category	From ...	To ...
Requirements	Technical specifications with detailed design decisions	User stories with strong acceptance criteria
Roadmaps	Gantt chart, date-committed	Now/next/later
Financing	Project-based (fixed time, scope, resources)	Product- or value stream-based (open budget with clear objectives)
Justifications	Detailed business case (deep-dive estimates of time, scope, resources, ROI, finances, etc).	Business outlines (problem statement, solution overview, risks, assumptions, broadly estimated ROI)
Metrics	Output-oriented (on time, in scope, under budget)	Outcome-oriented (customer satisfaction, customer lifetime value, customer goal attainment)

Source: Gartner (December 2023)

Increase Innovation With Hypothesis-Driven Experimentation

Another source of waste in larger enterprises is the expectation of “certainty” in results, ahead of any real work on the solution itself – much less true discovery of the problems to solve. Extensive business cases are often created in order to obtain funding for product improvement efforts, driven by loose interpretations of data and highly aggressive ROI estimates. These wasteful practices are the result of a process that values the appearance of certainty and precision over the need to identify risks and test assumptions rapidly and iteratively. (See [Ditch These 3 ‘Safety Blankets’ That Give Stakeholders a False Sense of Confidence.](#))

Product managers in enterprise-level tech companies should only conduct research necessary to identify an opportunity, then develop plans to validate those opportunities iteratively and in line with ongoing development to solve valuable customer problems. There should be no “start/stop” or “gated approval” of such efforts; it should be an organic stream of information, validation and development work that has a pool of consistent funding, checked regularly for progress against defined KPIs and OKRs.

Instead of devoting so much time to proposing work, product managers should push their organizations to invest in hypothesis-driven experimentation, with broader remits and budgets driven by goals and milestones rather than strict project-based efforts. (See [Project to Product Is an Essential Transformation for Product Managers.](#)) This means that rather than defining the expected ROI from the beginning, the product manager is focused on the following questions:

- What are the biggest risks that could result in failure to achieve our goals?
- What are the biggest assumptions that we are basing our execution on?
- How can we test these in the fastest, lightest, most objective way?

In addition to providing a basis upon which the product team (and executives, by proxy) can determine whether to continue with any given effort, these questions frame the reality of product development as an uncertain process. It is not a “known-in, known-out” process like a manufacturing line; it is more art than science, more talent than hard work, and more about driving out uncertainty than conforming to a plan.

This approach also embraces the unknowns inherent in true innovation rather than relying on the relative “safety” of evolutionary work. By putting the risks and assumptions first, innovation work can be quickly tested, and if validated it quickly runs straight into delivery. If it fails, then only a small amount of effort was wasted, and work can immediately begin on the next capability to be validated.

Optimize Value Delivery by Putting Outcomes Over Outputs

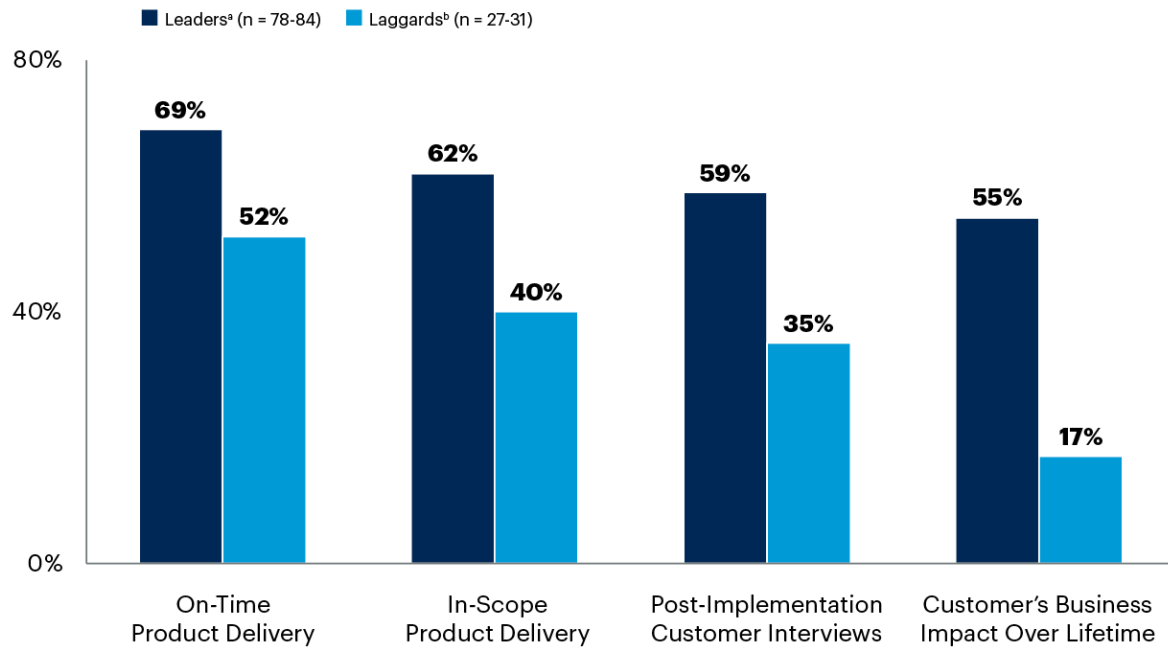
As organizations grow, they begin to focus more and more on their own internal processes and outputs rather than the value they are delivering to customers. This is a somewhat natural progression, as the complexity of the organization, the size of the employee base, and an increasing multitude of products come under the corporate umbrella. Mergers and acquisitions are judged on their ROI to the acquiring organization, not the increase in value delivered to customers. Further, customer profiles become more complex as the targeted personas multiply, morph, merge and diverge. The larger the organization, the more fractured the view of the “customer” often is – both across products and within each product organization.

In Gartner’s 2022 Annual Product Management Survey, there was a clear difference between leaders (organizations that were increasing in revenue year over year and outperforming competitors) and laggards (organizations that were stagnant or declining in revenue year over year and underperforming or at par with competitors) in how they measured product success. While both leaders and laggards measured outputs (on-time and in-scope delivery), more leaders leveraged outcome-oriented metrics, as seen in Figure 2).

Figure 2. Leading Organizations More Likely to Use Outcome-Oriented Measures of Product Success

Leading Organizations More Likely to Use Outcome-Oriented Measures of Product Success

Percentage of Respondents



n varies; top four responses from leaders

Q: What practices or metrics does your product team engage in to confirm the product's delivery of intended value to your customers?

Source: 2022 Gartner Product Management Branded Survey

^a Positive revenue growth for 2020-21 and significantly outperforming competitors.

^b Flat or declining revenue growth for 2020-21 and significantly underperforming or on par with competitors.

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Successful startups often have a stronger and more dedicated focus on customer value than large enterprise organizations, because it is critical to their success — top-performing startup companies pivot their businesses 4.97 times, on average, to better meet customer demands. Product managers in enterprise companies should maintain or restore their focus on value to ensure that they aren't delivering capabilities that — while they may be on time and in scope — miss the mark on defined and realizable customer value. This means focusing on customer behavior, including indicators of repeat usage and broadening adoption and retention — usually through the use of product analytics tools, but supplemented by regular interviews and continuous discovery efforts.

A renewed focus on customer value also means generating an idea of the type of value the capability, feature, or enhancement is expected to have, and infusing that not only in the development process, but in the postlaunch validation process as well. It's not sufficient in this ever-changing world to be satisfied that something has "shipped" — great product managers validate that what was shipped actually has an effect that meets their original expectations. The best enterprise product managers also look not just at each individual feature, though. Rather, they look across the suite of capabilities — both within and between products — to identify synergies between new capabilities or older capabilities that might not have been anticipated but can deliver increased customer value.

Startup product managers accept that not everything they identify as an opportunity will deliver the expected results, even with as much hypothesis-driven experimentation as possible. Sometimes the data points them in the wrong direction, or the market moves faster than expected, or unanticipated events change the expected outcome. In many large organizations, the pressure is to move on to the next thing, to get the next thing out the door rather than understand the root cause of a success or failure after a launch. Enterprise product managers need to take a pause when results are less stellar than expected, and identify what to learn from that outcome. Failure of a feature should not be viewed as failure of the product manager or even the product development teams, but as an opportunity to learn, adapt and refine the next attempt. Further, they need to be willing to use that reflection to pivot other in-process efforts to lessen the chance that future efforts too might fail to meet expectations. Too many enterprise product teams are organized to blindly deliver capabilities without ever assessing their true impact on customers, and even fewer take a broad approach to learning from and applying lessons from these missteps.

To achieve a true and ongoing customer focus, product managers in large enterprises must:

- Keep customer outcomes at the core of their goals, objectives, OKRs and KPIs.
- Resist internal pressure to "deliver" on time, in scope and in budget in ways that compromise the delivery of actual, sustainable customer value.
- Build retrospection and lessons learned into the product process to prevent repeated missteps in delivering recognizable customer value.

Evidence

2023 Gartner Tech CEO Survey. This survey was conducted to understand the steps taken by tech leaders to deliver growth while being dynamic and resilient; the growth pivots they use to optimize growth; and the ongoing course corrections they make to their products/services to address the external and internal changes required to continue a growth trajectory. The survey was conducted online by an external partner from July through September 2022. In total, 222 respondents were interviewed in their native language across Brazil (n = 29), Canada (n = 20), India (n = 33), the U.K. (n = 49) and the U.S. (n = 91) in technology and service provider organizations. To enable the comparison and contrasting of key trends, quotas were established on key organizational and respondent characteristics. Qualifying organizations operated in technology industries (cloud services [IaaS, PaaS], software [including SaaS], devices and computer infrastructure, and technology and business services), and telecom industries (carriers and communications equipment) with anticipated enterprisewide annual revenue for 2022 of less than \$250 million. Qualified participants had the title of founder/owner/co-owner of the organization, CEO/MD, chief operating officer, chief human resources officer, SVP/EVP/head of HR, or VP and director of HR. Disclaimer: Results of this study do not represent global findings or the market as a whole, but are a simple average of results for the targeted countries, industries and company size segments covered in this survey.

2022 Gartner Product Management Branded Survey. This survey was conducted to understand the needs, challenges and key initiatives of people in product management roles from July through August 2022. In total, 251 respondents were interviewed in their native languages across the U.S. (n = 61), Canada (n = 35), the U.K. (n = 34), China (n = 25), France (n = 25), Germany (n = 23), India (n = 20), Australia (n = 14) and Hong Kong (n = 14). Small base sizes of less than 30 respondents should be interpreted with caution. To enable key trends to be compared and contrasted, we established quotas on key organizational and respondent characteristics. Qualifying organizations operate in high-tech industries (cloud services, software, communications equipment, carriers, devices and computer infrastructure, technology and business services, and semiconductors) with anticipated enterprisewide annual revenue for 2022 of more than \$50 million or equivalent. Qualified participants have the title of director or equivalent and above. Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

Recommended by the Author

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