FEARLESS:

How to Transform a Services Culture and Successfully Productize

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with

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People vastly overestimate the consequences of failure today. . . . The human mind is programmed to overestimate the consequences of something like screwing up a PowerPoint because past (ancestral) social failures often got us kicked out of the tribe, after which we'd usually die at the hands of nature. But this evolutionary machinery we have doesn't serve us anymore. . . . Nothing great in life comes with complete assurance of success.

—Michael Easter, The Comfort Crisis

Good Ideas Are Not Enough

In the last five years, we have talked to hundreds of executives and product leaders about transforming their B2B services organizations to pursue a digital products strategy. The topic of how to successfully shift individual and group behavior can be a sensitive topic, and changing organizational culture is hard work, with many mistakes made along the way. We want you to know you are not alone.

Productizing Is a Profound Organizational Change

For organizations that have only provided customized services delivered via people, it is a profound change to provide standardized services or products often delivered using technology: it requires new roles, new teammates, new leadership, new practices, and new organizational structures.

Through our experience guiding organizations to productize their services and intellectual property, it has become clear that most B2B services organizations don't fully grasp the *extent* of the organizational change needed to successfully bring products to market. Productization is an achievable—and arduous—journey that most leaders underestimate.

But, arduous or not, productization is a business imperative. The COVID-19 pandemic, the rapid emergence of new technologies, and the evolving competitive landscape require almost all services organizations to ask a particular question:

How can we act more like a digital product company?

You may be aware of the value of digital product best practices, or perhaps you are already implementing customer-centric design, iterative testing, and product-led growth. But even as you emulate these practices, your organization may still struggle to bring good products to market. This is because *good product ideas are not enough:* the entire organization needs to be tooled to support a healthy, thriving product strategy and the fortitude to persist through the many iterations necessary to get it right.

In *Productize: The Ultimate Guide to Turning Professional Services into Scalable Products,* we devoted just one chapter to creating product-friendly organizations, describing the importance of

a clear vision, the right roles, talent, and organizational structure, and the new behaviors that leaders need to model to create a culture that supports successful productization.

It wasn't enough.

We kept hearing from clients, colleagues, and readers about the cultural and organizational difficulties they faced in bringing new products to market, despite strong knowledge of the fundamentals.

The data supports this.

Once an organization begins to productize, leaders often belatedly realize there is significant work to do in generating buy-in, developing product skills and talent, and changing behavior to support a business model transformation. And without this work, great product ideas fail.

This work is difficult because, for most B2B services organizations, productization is a combination of 1) new product innovation, 2) digital transformation, and 3) business model change all wrapped up into one strategy.

Elements of Successful Productization

Starting in the center, productization requires **innovation**, which requires thinking differently. You have to think beyond your existing capabilities, your existing customer needs, and your current expectations for short-term profitability and market share.

Productizing services also include **digital transformation,** which means learning how to use technology for greater speed and efficiency. Recent research on digital transformation has found that it takes significant financial investment and time. For example, of organizations that have made meaningful progress on their digital transformation journey, 60 percent had been at it for at least five years. This is because successful digital transformation requires, "continual upgrading of technology, organizational capabilities, and talent."

Most significantly, productization is a **business model change**—it changes how organizations create value and make money. This business model change shifts how you interact with customers, how you deliver value, and how you are organized on the back end to support the delivery of value and monetization. And, according to research outlined in the book *Radical Business Model Transformation*, changing your business models means "changing the very DNA that has made a firm successful over time."

The Emotional Side of Productization

Embracing change, experimentation, and the inevitable missteps and failures inherent to productization is nerve-racking, both for you as a leader and for your team. Successful productization requires an appetite for risk and a willingness to make longer-term investments. **It requires fearlessness.**

Fear is one of the most primitive human emotions. It is essential to your survival, but it can also deeply undermine your success. You are wired to avoid taking unnecessary risks, and there are real risks to productizing if your organization is not aligned and the culture does not support it.

Overcoming fear is at the heart of helping your organization embrace a productization strategy. In our experience, there are a variety of fears that prevent services organizations from successfully productizing.

At first glance, all these fears can look like fear of change. But in our experience, it is helpful to more precisely name the fears that leadership teams, owners, and individual employees may have. We believe the adage, "You have to name it, to tame it." Thus, you can parse out this fear of change into financial, reputational, and routine fears.

Financial Fears

- Fear of turning down revenue when saying no to non-scalable requests
- Fear of losing money on building unsuccessful products
- Fear that lower-priced product sales will cannibalize higher-priced services revenue

Reputational Fears

- Fear of no longer having value in the organization and being made obsolete
- Fear of diminished professional cache when you are no longer paid for your personal expertise
- Fear of being disliked when saying no to clients
- Fear of looking bad to clients because the product is not "perfect"
- Fear of looking bad internally (or worse) for championing a failed product

Routine Fears

- Fear of having to learn new skills
- Fear of loss of control over client relationships

Fear is a fundamental—and useful—human emotion that helps keep you safe. But fear is also a complicated neurological activation of memories and emotions that can lead you to disproportionately amplify the risk of a perceived threat. Past negative experiences encode fear of change in powerful ways in your brain: in one of the earliest bodies of research to emerge from the field of behavioral economics, Daniel Kahneman and Amos Tversky noted that loss experiences impact the brain twice as much as experiences characterized by reward—which means that you will work harder to avoid a loss than to achieve a potential gain.

Productization *requires* that you embrace uncertainty, quell fear, and bring others along with you in that effort.

We believe the primary differentiator of an organization's success in productizing is not the strength of its product innovation and management process, but the *courage* to adhere to it.

The CEO of one accounting firm shared, "A fear of loss of control, losing critical relationships (and the revenue and status that come with it), and putting my accounts in the hands of something new and untested is a significant hurdle for us. Services organizations want easy layups and like to stick to what's reliable and proven."

Fear of losing money on building unsuccessful products can also keep your organization from not investing or underinvesting in development. One product leader at a global operations consulting firm confided,

"Service companies can develop new services on a dime. The build schedule for a service is relatively short and cheap: have an idea, put it on paper, pass it out to consultants, and go. The cost of change and maintenance is relatively low because it's all people costs. But the investment model for digital products is completely different, and many services leaders are afraid to make the investment needed to develop, iterate, and maintain digital products."

And it is nearly impossible to successfully manage new products if your legacy-services employees fear they and their skill sets are no longer relevant. There are too many examples of employees who actively sabotage the success of the products or the leaders championing those products in a bid for self-preservation. When services organizations pursue a productization strategy, fears surrounding personal worthiness often come to the surface. This is because the source of value creation transitions from individual expertise to the product. This shift from services to scalable products can be very painful for professionals who have distinguished their careers by delighting and catering to individual clients.

The experience of one C-level executive at a research and development services firm shows how fear at all levels of the organization can thwart productization. He diagnosed the root cause of their productization challenges as coming from both a fear of saying no—to short-term revenue and to clients:

"The problem that runs up and down the organization is a fear of saying no. Salespeople, account people—almost everyone. Product people want to say no to one-off customization requests, but they get slapped on the wrist if they do. They don't want to be seen as someone just saying no. We believe the client is happier if they say yes.

Not saying no goes all the way up the chain because our leadership team doesn't have the discipline to say no either. We've never been any good at giving up revenue that does not serve our core strategy. We want to, we talk about it, but then we don't do it.

Our investors are all for strategic investments, but it is a really hard sell to take revenue off the table. Any time there's been a strong argument for sunsetting a hard-to-scale service or to stop serving a sector that we aren't serving well we don't do it. The revenue goals don't change so we never make the short-term sacrifices for the longer-term gain."

As you can see, fear (in all its flavors) is a significant hurdle to your productization success. But it is not the only one. In addition to being hardwired for fear, most people are also hardwired to resist change.

Part of the reason so many change management strategies don't work is that effecting change requires attention to the specific business context (product development and management), the culturally ingrained behaviors that accompany these contexts, and the individual people who do the work, day in and day out. This is just another way of saying that what makes change happen in one kind of business, or even business area, doesn't work for another because *people* are complicated, and businesses are complex. There is no one-size-fits-all change management approach. And the uncertainty associated with these types of changes provokes fear.

What *does* work is identifying the changes necessary to your specific context *and* preemptively addressing the inherent fears that come with those changes.

If Productizing is So Hard, Why Do It?

There are a number of strong pressures and opportunities that make productization an attractive strategy for growth.

Pressures

The accelerating pace of technological development can erode a services organization's competitive edge faster than ever. The disruptive applications for generative AI seem to increase exponentially with each passing day. For example, some platforms can review and score contracts on risk criteria, thereby making the role of a paralegal redundant.

1. The high demand for (and low supply of) professional services talent is forcing services organizations to think about how to more effectively scale so they are less dependent on arms and legs to deliver value.

2. Market strategies have also shifted buyers' behavior and expectations. Buyers now expect some ability to sample the experience of working with a vendor before committing to more spend, *whether they are buying a technology product or not.* Also, buyers want frictionless, end-to-end experiences with companies, and they expect interactions to be "as fast and intuitive as tapping out a text."

Opportunities

The good news is that the significant increase in cloud computing, platform as a service, low-code and no-code tools, and AI-based programming assistance make it much easier to develop tech-enabled products. Gartner estimates that by 2026, 80 percent of application development will take place on corresponding low-code platforms.

Emerging research supports the business case for digital productization. In a recent report with the attention-grabbing title "Every Company is a Software Company," McKinsey researchers shared that *nearly 70 percent* of the top economic performers across all business sectors use their own software to differentiate themselves from their competitors*. Moreover, one-third of those top performers monetize software directly.

While there are many pieces of research that talk about fearlessness as an essential ingredient of innovation and business transformation, none offer practical exercises that you *as individual leaders* can do to tame fear. We have paired findings from neuroscience with specific tools and activities to help leaders practice fearlessness and ultimately change their organizations. Fearlessness is a muscle you can strengthen and a skill you can learn.

Six Levers to Build a Product-Friendly Organization: There are six levers you can pull to create a product-friendly organization: culture, vision, organizational structure, governance, talent, and people-related practices.

1. Culture

Culture is the unspoken set of behaviors that govern how we work. It is the written and unwritten rules that shape how individuals interact with and get work done in a particular environment. Put another way, culture is what people do when no one is looking.

The features of a product-friendly culture—what we call the Four Hallmarks of a Product-Friendly Culture—specifically address the challenges organizations face when they change the way they make money. This shift moves you from selling time and expertise to meet the needs of an individual client (what we often refer to as 1:1), to selling productized, scalable, intellectual property that meets the needs of large market segments. The Four Hallmarks of a Product-Friendly Culture are:

- Embracing and exhibiting discovery
- Speed
- Abundance thinking
- Collaboration

These four hallmarks address the biggest challenges we see when efforts at productization fail. And each of these hallmarks is present in organizations that are ready and able to successfully productize. But each of these hallmarks has an inverse - The Four Horsemen of a culture that is not product-friendly: One (or several) of the Horsemen in an organization can predict the failure of a productization strategy.

Horseman #1: Knowing

Most services organizations create value for clients because they have expertise and knowledge that their clients do not have. In other words, you get paid for *knowing.* One leader shared the slightly tongue-in-cheek observation, "At a lot of services firms there seems to be a high correlation between highly intelligent people and people who think they know best!"

However, this posture of knowing can cut you off from two other critical postures—curiosity about the unknown and admitting you were wrong.

And people who deliver value through their expertise or ability to know are hard to scale. When Brightfield was making the transition away from services to products, the career consultants initially struggled to use the product. Steven Williams, former SVP of Product Management of Brightfield, shared, "They would export the data from the tool and then do their own custom analysis. We had to have some hard conversations about the fact that we don't do customized data analysis work anymore. It was hard for very talented, high-achieving consultants who had built their careers using their expertise to let go of this habit."

Horseman #2: Perfectionism

We often see perfectionism as a tacit behavior among professional services organizations, and for good reason; these organizations provide value to clients through highly polished, customized engagements. Service delivery employees can be reluctant to sell and deliver a less-than-perfect product because they fear doing so puts their professional reputation with clients at risk, but it can also help you achieve at a high level.

Reid Hoffman, the founder of LinkedIn, said, "If you are not embarrassed by the first version of your product, you've launched too late." The shift can be easier when you realize that customers understand works in progress. You will need to adopt a "test and learn" mentality to identify different markers of readiness than what you are used to. What are the non-negotiables that cannot be wrong (e.g., accurate data, minimal bugs) and what can be "messy by design" (e.g., design flourishes, visualizations, ancillary functionality)? Waiting for perfection will erode any competitive edge and customer value you might have captured.

Horseman #3: Scarcity Thinking

For many professional services organizations, scarcity thinking is the modus operandi; the time and resources you sell are, by nature, limited.

We all have limited cognitive bandwidth. In a professional setting, scarcity thinking assumes that there is not enough time or opportunity to invest in new ventures. But scarcity thinking can torpedo a productization strategy; rather than noticing opportunity, all you see is the potential for loss, which amplifies fear.

Another manifestation of scarcity thinking is often masked by the ideal of "customer centricity" or "can-do attitude." Many professional services organizations pride themselves on their ability to meet every customer request. But when building a scalable product, you cannot say yes to everything. Where teams get stuck is that saying "no" is hard and they don't want to do it. It is largely driven by the fear of upsetting that customer and losing the most important revenue stream for the organization. A scarcity mindset can be paralyzing.

Also, scarcity thinking can also feed the fear that new products will cannibalize revenue from existing, higher-priced services. That fear can make you afraid to ask current clients to buy your new products. But there are proven steps you can take to reduce cannibalization risk. And, at the end of the day, if you don't risk disrupting your own services, someone else will.

Horseman #4: Individual Heroics

Individual heroics are common in services organizations where clients typically buy an individual's expertise and may have a long-standing relationship with a single employee or a small team. Collaborating with other functions or even with outside partners—a necessary ingredient for productization—can feel threatening to employees who have built their careers demonstrating and selling their individual expertise. They have been consistently rewarded for individual heroics, and derive a strong sense of purpose and identity from these rewards. They may even fear losing their position in this new environment. But research shows that when collaboration fails, it is because a desire to maintain personal status gets in the way of the respectful, experimental, learning mindset that characterizes strong collaboration.

Moreover, in many services organizations, the heroes in sales are often the ones who can land the huge deals, or the whales, and not necessarily the ones who build a consistent repeatable flow of deals that match the ideal customer profile for the product. But to land those whales, organizations often end up bending over backward to do custom things or making special accommodations. For services-only organizations, this approach is risky, but in organizations looking to productize, it can be deadly. If individual heroics continue to be recognized, rewarded, and encouraged, it will be hard for organizations to be successful with productization.

Antidotes to the Four Horsemen

Identifying the Four Horsemen in your organization is a necessary first step to successfully productizing. But this knowledge is not enough. To eliminate product-hostile work behaviors, you must replace them with product-friendly behaviors—"antidotes" to the Four Horsemen.

The Four Horsemen of Productization & Their Antidotes

Knowing *You believe you need to be the expert and struggle to admit when you are wrong or don't know.*	**Discovering** *You believe in being curious and are open to changing your mind. You know admitting when you are wrong leads to better outcomes for everyone.*
Perfectionism *You believe personal worthiness is defined by work performance and that all work needs to be (nearly) flawless to be valuable.*	**Speed** *You believe that testing ideas and iterating on solutions creates the best work.*
Scarcity Thinking *You believe existing resources are fixed and that the amount customers will spend with you is more limited than it actually is.*	**Abundance Thinking** *You believe more resources can be found. You see the world as expanding and are willing to risk cannibalization.*
Individual Heroics *You believe that asking for help is a sign of weakness and that individual performance is more valuable than group performance.*	**Collaboration** *You believe that performance improves when you work across teams, with clients, and with other partners in the ecosystem.*
FEARFUL	**FEARLESS**

If we look at what is underneath each of the Horsemen, we see a common emotion: **fear**. Fear of looking bad, fear of losing status or income, fear of not having personal worthiness, fear of not having enough, etc. This is why we believe that overcoming fear is at the heart of helping your organization embrace a productization strategy.

Our experience and the broader research bears out that cultivating the antidotes—discovery, speed, abundance thinking, and collaboration—can help reduce the fears that accompany productization.

These cultural values are often ingrained in your digital-first product competitors from the outset. These are the behaviors that help them overcome the fear of innovation failure, the fear of cannibalization, and the fear of saying no to clients; product-friendly cultures are **fearless.**

Our research has found that the levers you pull to *enable a product-friendly culture* are:

1. **Vision**
   a. Setting a clear, compelling, and realistic vision for your product strategy is essential for making savvy business decisions and managing change.
2. **Organizational Structure**
   a. Organizational structure is essential for productization success—and it should flow from and support the vision
3. **Governance**
   a. Create governance structures to ensure the vision is realized by building discipline and accountability
4. **Talent**
   a. Invest in new hires who have product management and product development skills. And a fresh infusion of talent from another organization can sometimes make a difference in cultivating product-friendly behaviors within the organization.
5. **People-Related Practices**
   a. People-related practices—like performance measures, incentives, assessments, training, and operational freedom— are also necessary to drive organizational change by promoting and rewarding product-friendly behaviors.

In other words, you cannot have cultural change without changing the organizational systems and capabilities that support culture.

Another Term for Fearlessness is Love

For the purpose of our work, we use *fearless* as the overarching descriptor of a product-friendly culture.

However, there is an alternative term: love.

If fear is the root cause of the Four Horsemen, then to have less fear we need more love.

We agree with the late renowned psychiatrist Elisabeth Kübler-Ross that every single human emotion can be boiled down to two fundamental emotional sources: love and fear. She says: "There are only two emotions: love and fear. All positive emotions come from love, all negative emotions from fear. From love flows happiness, contentment, peace, and joy. From fear comes anger, hate, anxiety and guilt."

And this construct is entering mainstream business conversations. Mauro Porcini, Senior Vice President and Chief Design Officer at PepsiCo, recently published a book entitled *The Human Side of Innovation: The Power of People In Love With People.* In an interview about the book he explains,

> The word "love" . . . implies that you have passion for that goal. Love describes the fire that inflames your heart, the energy that animates your soul, and the drive that makes you overcome any kind of barrier in order to realize your dream. It also refers to the love you have for others in a cross-functional and multicultural kind of effort.

Other research on love and fear in the workplace describes love as belonging, trust, care, respect, empathy, acceptance, inclusion, etc. To reduce fear, effective leaders demonstrate love every day by becoming role models of that love. They celebrate it and talk about its importance. Finally, leaders reward people who embody love in their behaviors and point out its positive impact within the organization.

Because of our own fear of not being taken seriously if we titled this book *Love: Transforming a Services Culture to Successfully Productize*, we will continue to talk about fearlessness.

However, before thinking about the structural components of change, like job descriptions, reporting lines, training, and incentives, consider what it would look like to productize with love as a companion to fearlessness. Fearlessness emphasizes the way we interact within ourselves; love emphasizes the way we interact with each other.

Many leaders at B2B services firms know that they *need* to develop a product-friendly culture but aren't sure how to begin. We have worked to support leaders looking to find scale in what their organizations bring to market and that work is ongoing.   We address individual leadership behaviors, redesigning organizational structures, governance processes, talent recruitment and retention, and people-related practices.

And while it is not easy to do, it is simple: *address the fear*.

Overcoming fear is at the core of helping your organization embrace a productization strategy. When you start by identifying your own fears and cultivating fearlessness in your own heart, you build a foundation for transformation.

Additional Resources

Assess your organization's productization maturity by taking the Productize Maturity Diagnostic at www.vecteris.com/diagnostic