ONE

WHAT ARE OUTCOMES?

In 2006, I was working on Wall Street for a brokerage that served the the largest institutional money managers in the world. Our system allowed their traders to buy and sell stocks on a massive scale; millions of shares of stock flowed through our system each day. Traders used our simple but powerful trading app to place their trades, and almost everything was perfect. There was one problem though: our business was built on a single type of trade. Although we were the best place in the world to make that kind of trade, we knew that if we were going to survive, we would need to diversify, to offer other trading styles to our customers.

Our founder and CEO, a visionary who had started two successful companies before starting this one, was confident he had the answer: replace our trading application with a new app—one that would support other trading styles. This new app would diversify the services we offered to traders, and protect the future of our business.

So the product team got to work: we designed and started building an ambitious new trading app. When it was done, it would be unparalleled in terms of look, feel, and function. But two years later, we still hadn't shipped anything. Leadership shut the program down. Despite the fantastic technical and design talent working diligently, the program had been a failure.

What went wrong? We had just spent two years making stuff. And we picked the wrong stuff to make. Sure, the design tested well and the prototypes looked good, but rest assured, it was the wrong stuff. It was too hard to make, there was no customer demand for it, and we could have solved the problem by making other, simpler things.

All that stuff that looked-good-in-planning led us to work for more than two years without delivering anything. We delivered no new capabilities to our customers, and we delivered no value to our business. Said another way, our team generated no outcomes.

If you've picked up this book, you're interested in this notion of outcomes, so let's start by defining the word in our context: **an outcome is a change in human behavior that drives business results.** Outcomes have nothing to do with making stuff—though they sometimes are created by making the right stuff. Instead, outcomes are the changes in customer, user, employee behavior that lead to good things for your company, your organization, or whomever is the focus of your work.

Looking back on my team on Wall Street, it's clear in retrospect that we could have managed the process and structured our project differently. We could have identified the outcomes that the business was seeking and found a much faster way to start delivering them. We could have done that by focusing on the outcomes that our customers—the traders—were seeking, and finding a way to deliver those sooner.

If this sounds to you like I'm saying we should have been more agile, you're right. That's what I'm saying. But here's the funny thing: that team was an "agile team." We had standups and stories and even an agile coach. We thought we were doing it right. But we were focused on the wrong thing: we were focused on what we were making—our output—which would be a big, beautiful app. We were building it piece by piece, and when it was ready, it would be beautiful, and then we would ship it to customers.

We should have been focused on something else: creating outcomes by changing customer behavior.

Getting to Done: The Problem with Features

It's common to get caught in this kind of confusion—mistaking "making stuff" for making progress, and mistaking shipping features for being done. It's a legacy of a time when we mostly made physical goods, and making stuff well was the primary challenge.

In the old days of engineering, setting project goals wasn't that hard. If you're building a bridge, for example, you know you're done when the bridge is built and people are crossing it safely. If you're making cars, you're done when they roll off the assembly line. But when you're making software products, done is less obvious. When is Microsoft Word done? When is

Google done? Or Facebook? In reality, software systems are never done. We just decide to stop working on them, or work on one part of them over another. (And it turns out that lots of our work is like this—when is customer service done, for example?)

Even if our new software-based products are never done, why does that matter? Why not just make an endless list of features and ask our teams to work on that list—forever? In fact, a lot of contemporary project management turns out to work exactly this way. The problem with this approach is that features can be finished and delivered and "work perfectly" but stlll not deliver any value. Think about all those website pop ups that try to get you to subscribe to a company's mailing list. Do they work? Technically, they function as specified. But do they deliver value? Turns out that on the whole, they don't—people simply get annoyed and just abandon the web site instead.

Our world is full of "features" like this that work as specified and yet deliver no value—or worse, create problems we never intended. If you've ever used a microwave oven you've experienced this problem: how many of those buttons do you use in real life?

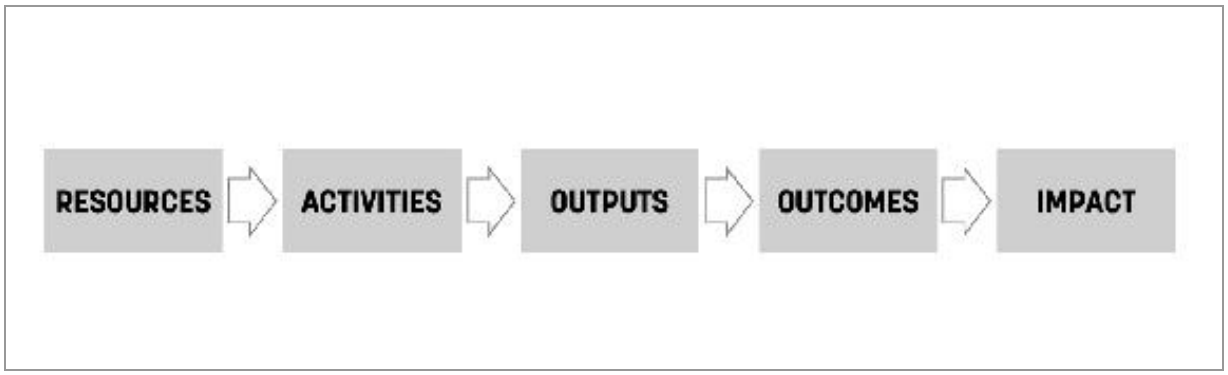
So if features don't automatically create value, then it follows that we shouldn't use them as the center of our planning process. In fact, we want to use a planning process that makes it possible to make as little stuff as possible and still achieve the outcome we seek. How do we do that? That is the question this book answers: we can instead use the idea of outcomes. Outcomes, or *the human behaviors that drive business results,* are what happen when you deliver the *right features.* **Ideally, they happen when you've delivered as few features as possible.** To get started, let's spend a moment to define some of our terms.

Project Goals: Output, Outcome, Impact

Imagine that you work for a charitable organization and you've been asked to build a well in a small village that lacks modern plumbing. You've been given funding by a foundation that wants to increase the standard of living in this village. They have observed that villagers spend a large amount of time every day walking to the river to carry water. The foundation believes that if the villagers had a well in the center of the village, they wouldn't have to carry water such long distances anymore, and they could use their time for

other activities—ones that would allow them to improve their standard of living.

In the social impact sector it's common to use a model called the **Program Logic Model** to plan work like this and evaluate the results. In the diagram below you can see the building blocks of that model:



For our well project, the model might be something like this: we plan our **resources** (the people, materials, money, and other things we need), we undertake a set of **activities** (traveling to the village, acquiring and transporting our materials, building a well). If all of this goes according to plan, we create the **output**—the well. If the well works as planned, we achieve our **outcome**—people in the village spend less time carrying water. That in turn, becomes an important contributor to the **impact** we seek: a higher standard of living in the village.

Notice that the outcome—people spend less time carrying water—is a change in behavior that creates positive results.

Why do we need all these levels in our model? Although our ultimate target is to improve the standard of living in the village, that target is actually a result of many factors. To see if our work is actually making a difference, we need checkpoints that are smaller, measurable, and more closely connected to the work that we're doing. That's where outcomes are important. By setting our outcome as "villagers spend less time carrying water" we have an easier time assessing the quality of our work.

Outcomes for Managers and Executives

Setting goals as outcomes sounds simple, but it can be hard to do in practice. One thing that makes it hard is that we often set goals that are too

high level—we tell a team to make our business more profitable, or to reduce risk, or something else that's really a factor of many variables. These impact-level targets are too complex to be useful to our teams. Instead, we need to ask our teams to work on outcomes—the smaller, more manageable targets that, taken together, will create the impact we want. We do this by asking them to focus on changing customer behavior in a way that drives business results.

We want our customers to log onto our site more often, or put an extra item in their shopping cart, or share an interesting article with a friend, or upload a picture, or complete a task in less time. What do all of these things have in common? They're all measures of customer behavior. They might be small changes in a big system, but they are specific, and they allow our teams the flexibility to figure out the most efficient way to solve the problem, to deliver the behavior change that we seek, and to make a meaningful contribution to the impacts (revenue, profitability) that our executive leaders care about.

So let's review: you can manage a team by telling them what to make: that's called managing outputs. It's a problem because features don't always deliver value. You can manage a team by asking them to target some high-level value, like growing revenue. That's called managing impact. It's a problem because it's not specific enough.

What you want is to manage with outcomes: ask teams to create a specific customer behavior that drives business results. That allows them to find the right solution, and keeps them focused on delivering value.

Early Value Delivery

The first Agile Principle says, "Our highest priority is to satisfy the customer through early and continuous delivery of valuable software."

As agile is applied to problems bigger than software development, many people who believe in agile principles have restated this principle. Today, it's fair to say: *our highest priority is to satisfy the customer through early and continuous delivery of* ***value****.*

Lots of companies that are struggling to get more agile know this. My team on Wall Street certainly did. And we believed it. It's one thing to know you *should* do that though. It's another thing to figure out *how* to do that.

It seems almost too obvious to say, but in order to deliver value early and often you have to have clarity about what "value" means. And it's a slippery

term. As we move away from agile software to agile everything, we can't take it as a given that just delivering software is valuable. We can't take it as a given that just delivering any specific thing will create value. Instead, we need a more direct way to talk about value itself.

My team on Wall Street knew we should be delivering value sooner than we planned to—but we didn't know how to step back and think critically about our work. If we had known about outcomes, we might have been able to adjust course. We might have asked, "what is the outcome that our business seeks?" If an outcome is a change in customer behavior that drives business results, we could have asked, "*what is the customer behavior change that we are looking for?*"

We were looking for more customers placing new types of trades with us. It wouldn't have mattered if they did it in an app, by calling our brokers, or via their other trading tools. We were trying to diversify our business—building an app might have done that, but clearly, there were other ways we could have delivered value.

We could have asked, "why is it so important to build an app?" In retrospect, we wanted to keep our customer close to us, so we wanted them logging in to our software tools every day. Could we have imagined a software tool that took less than two years to build, but still got people to log in every day? Absolutely! There are so many tools we could have offered to traders that would have offered a small amount of value in exchange for a log-in. Trade monitors, market data feedback, performance analyses—the list is endless. But we never asked the question, so we never came up with these other answers—answers that would have allowed us to actually deliver value early and often.

Outcomes, Experiments, Hypotheses, and MVPs

When you start thinking critically about value delivery instead of features, you very quickly run into a problem: how can we be sure that the stuff we're making is actually going to deliver value? For example, how do we know that the well in the middle of the village is actually going to raise the standard of living in the village? The simple answer is that you frequently can't know in advance. This is why, when working with outcomes, you need a companion tool: the experiment.

When you combine outcome-based targets with a process that's based on running experiments, you really start to unlock the power of agile

approaches.

Think about the idea that a well would increase the standard of living. How could we test that? Maybe we could bring in a small gas-powered pump and some hoses, and pump water from the river to a central location in the village for a week. We could see then how people might use their extra time. Would it make a difference to their quality of life? Testing our ideas this way, before we commit to an expensive construction project is an effective way to manage uncertainty in our planning.

Think about my Wall Street team. How might we have used experiments? To begin, we could have asked, "what could we do to deliver value early?" A day or two of planning would have yielded many ideas, and many of them could have been tested in low-risk, safe-to-fail ways. And even a few small failures would have been better than the one giant two-year failure we experienced.

Combining experiments with outcomes is a really powerful way to work, especially in situations of high uncertainty. In these contexts, we're just not sure if the thing we make—like a new piece of software—is going to have the desired result for our business. Will our new trading app make our customers happier? Does it need to include all the whiz-bang features we envisioned, or could we do less work and release something different instead? How can we tell?

When teams are facing this kind of uncertainty, outcomes are a great way to set goals because they allow teams to experiment—to try different solutions—until they hit on the one that works.

And that, in turn, allows your team to be agile: you set a goal, design an experiment, then you test and learn, test and learn, test and learn, until eventually, you figure out the best solution. So you can think of agile projects as a series of hypotheses and experiments, all designed to achieve an outcome.

People sometimes ask me about the term *experiments*. Well, you've probably heard the phrase *MVP* or *Minimum Viable Product*, which the Lean Startup movement has made popular. There are a lot of meanings to this phrase, but the way I use it, it simply means "an experiment." An MVP is NOT version 1.0 of your product. Instead, think of MVP as the the smallest thing you can do or the smallest thing you can make to learn if your hypothesis is correct.

So, to sum up: an MVP is simply an experiment. Teams make MVPs to test an idea. They're testing their hypothesis about how to best achieve the goal—the outcome—they've been given. This is an ongoing cycle, and it's core to the agile approach.

When you plan work in this way—as a combination of outcome goals and experiments, you give yourself and your team the permission to go after a meaningful business goal, and you give people the freedom to experiment their way forward—even when the way forward is not clear. That's an incredibly powerful way to work.

Takeaways for Managers

- You can manage a team by telling them what to make: that's called managing outputs. It's a problem, because features don't always deliver value.
- You can manage a team by asking them to create some high-level value, like growing revenue. That's called managing impact. It's a problem because it's not specific enough.
- What you want is to manage with outcomes: ask teams to create a specific customer behavior that drives business results. That allows them to find the right solution, and keeps them focused on delivering value.
- For our purposes, an outcome is "a change in customer behavior that drives business results."
- Defining outcomes in terms of customer behaviors creates a more customer-centric and user-centric way of working.
- Outcomes and Agility: using outcomes to direct the work of your teams unlocks your team's creativity. They will work to find the best solution to the problem at hand in order to create the outcome you seek.
- To figure out if your outputs create the outcomes you seek, you need to test and run experiments. MVP is just a buzzword that means "experiment."

TWO

USING OUTCOMES

The design guru Jared Spool asserts that there are only five things executives care about: increasing revenues, decreasing costs, increasing new business and market share, increasing revenue from existing customers, and increasing shareholder value.

Now, you can disagree with Spool's specifics while at the same time recognizing the core truth of the statement—that at the highest level of a business, leaders are concerned with the overall performance of the organization, and the performance numbers they watch tend to come down to these factors—which, in our language are high-level or "impact" metrics.

This presents us with a problem: when leaders want to increase revenue, for example, it's not as if they have a magic revenue crank that they can turn to pump out more revenue. (In the past, leaders might think about increasing production—making more stuff—but in a software-driven world, this particular crank no longer makes sense.) Instead, they need to work across their large, complex organizations to break down that desire for more revenue into something that the folks who are doing the work can act on. In other words, they've got to break down "increase revenue" into smaller, actionable parts. In the language of the Logic Model, they need to move from talking about impacts to talking about outcomes.

Creating Team Goals with Outcomes: Getting Specific

Writing good outcomes starts by using the very specific, very narrow definition of the word that I shared with you in Chapter 1. For our purposes,

we're going to be strict about this definition: an outcome is "a change in human behavior that drives business results."

The phrase "human behavior" can apply to users' behavior, customers' behavior, or staff and employee behavior—anyone who is part of the system can be the focus of this statement.

If we work inside an organization, the ultimate goal of our work is to help make our organizations more successful. In for-profit organizations, we're interested in things like revenue, profit, margin, costs, and loyalty. Those things are important, but you can see that they're not outcomes in the sense we've defined just now. Instead, they're impacts—the sum of a whole lot of outcomes. So we'll set those big impacts aside for now. We need to work on the component parts—the outcomes.

Finding the Right Outcomes

To find the right outcomes to work on, we start with a simple question: "**what are the customer behaviors that drive business results?"**

Let me give you an example of how this works. Let's say we operate an online t-shirt store, and we're losing business to a competitor. We want to work on customer loyalty, so we set a impact-level target—increase the rate at which customers visit our site from once a month to twice a month.

With that high-level impact defined, we can start looking at customer behaviors. We can ask: "**what are things that customers do that predict they'll visit our site?"** Maybe we know that they visit our site after they open our monthly newsletter announcing new shirts. Could we get them to open more new-shirt emails? That's a possible outcome: opening our newsletter more frequently.

Maybe we know that they visit our site after a friend shares an image of one of our shirts on social media. Could we get people to share images of our shirts more frequently? That's another possible outcome: sharing t-shirt images more frequently.

In both cases, we're focusing on what customers do—opening emails, sharing images—that predict the thing we care about: visiting our site. You'll notice something else: **because outcomes are things people do, they're**

both observable and measurable. This is an incredibly important part of outcomes because it lets us use them as a management tool.

I hope you can see how this is both very specific, but also pretty simple to break down. You just need to remember two things: first, that an outcome is a human behavior that drives business results, and second, to figure them out, we just need to understand what our customers are doing that drives the results that we care about.

Leading vs. Lagging indicators

In our example above, we started to try to improve customer return rate by asking a question: "**what are things that customers do that predict they'll visit our site?"** The word *predict* is really important here, so let's talk about it for a moment.

One challenge is that customer return rate is a lagging indicator. It tells you how often your customers have visited you in the past, but it has limited predictive power. It can't tell you what you should do in order to increase the rate of customer visits. For that, you need to identify your leading indicators.

In the example above, if we can demonstrate that social sharing of t-shirt images increases return visit rate, then social sharing is a leading indicator. Knowing this, we'd want to do everything in our power to increase the rate of social sharing. Or maybe we can demonstrate that newsletter opens predict return visits. In this case, newsletter opens becomes a leading indicator. We can measure the rate at which people do this, and then we can start changing things in order to encourage this behavior.

These indicators have some important properties. First, they are measures of what people are doing—in other words, they measure behavior. Second, they predict the success that we're seeking. In other words, they're outcomes: **our indicators are the customer behaviors that drive the business results we're seeking.**

Hypotheses

Now you might feel a bit skeptical of the notion that either of our possible outcomes (social sharing or newsletter opens) will lead to repeat visits. It's

possible that the t-shirt company in our story has data to support this, but it's also possible that we don't have that data—that the ideas are no more than hunches. And if they're just hunches, maybe we shouldn't waste time trying to get customers to share images of our shirts on social networks. Maybe we should spend our time in another way.

There's usually uncertainty when we're trying to generate outcomes. Will the output create the outcome? Will the outcome contribute to the impact? We often don't know—there's no data, or the data is inconclusive.

If we don't have the data to support our hunches, then we have to treat the ideas differently than if we know our ideas are true. We have to treat them as assumptions. The good news is that, thanks to the Lean Startup movement, we have a framework for handling assumptions. We can express our assumptions as part of an hypothesis, and we can run an experiment in order to test our hypothesis and see whether our assumptions are right or wrong.

A basic hypothesis has two parts: what we believe, and the evidence we're seeking to know if we're right or wrong. So, in our example, a simple hypothesis might look like this:

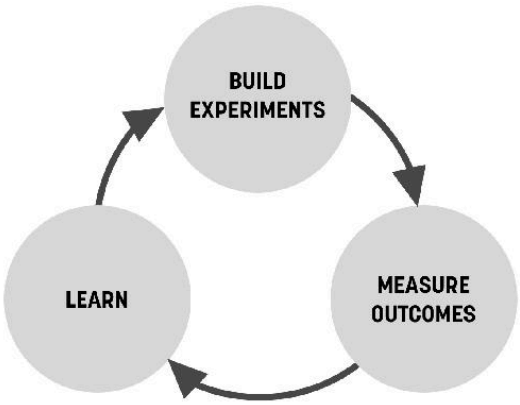
> We believe that if people share pictures of our t-shirts at a greater rate, it will prompt existing customers to return to our site at a greater rate.
>
> We'll know we're right when we see a correlation between social shares and return visits.

Experiments and MVPs

When you frame the problem this way, it almost begs for the next step to be an experiment or research project to see if your hypothesis is right or wrong. If you were looking at a statement like that in your business, you'd have to immediately ask: "what can we do to figure out of this hypothesis is true? **How do we know if we're right?"**

An easy first step would be to see if you have the data. And if you don't, your next step might be to run an experiment to see if you can observe a correlation. Earlier, I talked about the notion of MVP, or Minimum Viable

Product. When I say MVP, this is what I mean: it's the smallest thing we can do or make to see if our hypothesis is true. And that's what hypotheses encourage us to do: to test our assumptions to see if we're right or wrong.



Outcomes are natural partners with hypotheses. When we state our goal as an outcome, we're either proposing some logical relationship between our work and the result we seek, or asking our teams to figure out that relationship—because we're asking them to figure out **how they might create that outcome.** And once we've proposed that relationship, we capture it in a hypothesis, and test it with an experiment.

The point here is that as we start looking at generating the outcomes we're seeking, it naturally drives us deeper into the dynamics and relationships in the systems we're designing, building, and operating. If we change this piece of of the system, what happens? Can we get this result by changing that policy, this feature, or that marketing program? It encourages our teams to really dig in and get to know how our businesses really operate.

The Magic Questions

If you look back on what we've just covered, you'll see that there are a set of questions that we asked to help us use outcomes. These are really important. If you want to use outcomes in your work, these questions are fundamental. Early in my consulting career, I had a colleague who had a handful of very

useful questions she turned to again and again. She called them magic questions, because they work like magic every time. These questions are my magic questions for finding outcomes.

1. What are the user and customer behaviors that drive business results? (This is the outcome that we're trying to create.)
2. How can we get people to do more of those behaviors? (These are the features, policy changes, promotions, etc that we'll do to try to create the outcomes.)
3. How do we know that we're right? (This uncovers the dynamics of the system, as well as the tests and metrics we'll use to measure our progress.)

Let's look at each of these questions in a bit more detail.

What are the customer and user behaviors that drive business results?

What's powerful about this question is that it changes the focus of your planning—instead of focusing on what you intend to make, you're setting your focus on the people you're trying to serve. It is a huge step to take if you're trying to make your business customer-centric.

Behind this question lie a set of related and incredibly important questions: What are our customers trying to do? How do they do that today? How can we make it easier for them to do that?

How can we get people to do more of these behaviors?

What's powerful about this question is that it orients your planning process away from features and towards behavior change. Sure, you might still think about features, but the goal of the features is no longer just to exist. Instead, the feature must be in the service of changing something. Making it easier for a customer to buy. Making it easier for a user to complete a task or achieve a goal. But this question also opens up non-feature possibilities. We might change policy, or pricing. We might change copy. We might change the way

we position our product. We might change employee behavior when we interact with our customers. This question opens up our solution space to a much broader range of possibilities.

How do we know we're right?

Sometimes, we know there's a correlation between a user behavior and a business result. We might know, for example, that more customer visits to our e-commerce site result in more purchases. In this case, we'd be looking for ways to get them to visit more often, and the unknown here would be how we might get them to do that.

In other cases, we might not have any correlation at all. In the online t-shirt shop example above, we might guess that when people share pictures of our shirts on Instagram, then their followers are more likely to visit our site and purchase our t-shirts, but we don't have any data to support this hunch. In this case, we'd have to test a number of questions—can we get people to share pictures of our shirts on Instagram, and whether or not this leads to more visits, and in turn, more purchases.

Tracking Progress with Outcomes

Good leaders know to ask their teams to deliver value—in other words, don't just deliver *stuff*, instead, do something that creates value for the organization. But "value" is a tricky word—it's too vague to really get people aligned.

One consequence of this vagueness is that it makes it hard to track the progress of work. In my experience, this is because leaders and the folks who execute the work tend to think of value at different levels of specificity. Leaders think in high-level terms—appropriate to their level in the organization. Executors think in much more detailed terms—again, reflecting their POV from where they sit in the organization. In other words, leaders think about impacts, and executors are responsible for outputs and outcomes. The solution to this is to try to communicate in terms of outcomes AND the effect you want them to have on the impact the leader cares about.

For example, a leader may want to reduce cost. That's an impact. An execution team may understand that support costs are high because customers

call tech support at a high rate. That's the outcome. They think they can reduce tech support calls by fixing confusing product features. That's the output. So in this case, a simple logic model would look like this:

- Impact: reduce costs
- Outcome: fewer people calling tech support
- Output: improved usability of confusing features

When leaders have teams that are working with well-defined outcomes, tracking progress becomes simpler—leaders and teams can review the hypotheses the teams are working on, they can review their progress towards the outcomes they're seeking, and they can look at a concrete measure: are people's behaviors changing? In this case, a team should be able to measure and report on the progress of their work simply by reporting on the rate of calls to tech support relative to the products that they're working on.

It's often the case that teams work on improving features based on an intuitive sense that it's the right thing to do—but this intuitive sense is hard to communicate, and rarely compelling to leaders. If instead teams can demonstrate through these models that their work goes directly towards creating a business impact that leaders care about, conversations become much more grounded, and teams and leaders become much more aligned.

Getting Started with Outcomes

Leaders who are looking to begin using outcomes to track the progress of major initiatives are often in a difficult situation. In most situations, initiatives are not planned in terms of outcomes. Instead, they're much more likely to be planned and tracked in terms of features built, or in terms of how they're tracking to some promised delivery date or other milestone.

For leaders in this situation, there's a simple question that they can use to start the conversation about outcomes: "**what (user/customer/employee) behaviors has this initiative created that are driving business results?"**

That question is the key to tracking progress because it moves the conversation away from features and reorients it towards value delivery.

For example, you might have a team working on an email marketing campaign. Email newsletters are an easy example because marketing teams are used to measuring their success in terms of what people do with their emails. Do they open them? Do they act on the calls to action? Are the actions that result valuable to the business?

But other initiatives tend not to have this culture of measurement. Internal technology initiatives are particularly bad. When teams are re-writing internal systems, for example, they often report progress in terms of how many system features they've completed. It would be better to instead measure progress in terms of new organizational behaviors created by their work. For example, what is the ratio of users of the new system vs the old system? How many of those users are able to use a new business process as a result of the initiative? Are the new business processes unlocked by this initiative ones that in turn generate positive outcomes?

Technologists sometimes push back—they will make the claim that they can't cut users over from one system to another until the new system is complete. But this is where the power of outcomes shows up: no digital system is ever really complete, and conversely, even very small slices of a new digital system can start generating value before the rest of the system is ready.

So, if we insist that we measure value in terms of outcomes—how many new users are running through the new system—we can encourage teams to change their plans to deliver the outcomes we seek. Instead of planning for some mythical "feature-complete" future state (remember, software is never complete), they can plan to deliver value early, then enhance that value through continuous, incremental delivery.

This is how we can measure progress by using outcomes: insist that our teams plan in terms of outcomes, then ask repeatedly: "what new behaviors did your work create that are creating value for the business?"

Writing Better OKR with Outcomes

One planning system that's gained popularity recently is called OKR, which stands for Objectives and Key Results.

OKRs are popular because they help you connect your work to the big picture (the Objective) and they help make sure that you're not just making stuff or doing work for the sake of doing work. Instead, you're trying to achieve a Key Result.

But even though OKRs sound like a good idea, it can be hard to write good OKRs. One reason is that it can be hard to name the Key Result that you're looking to achieve. And when this happens, you often see teams just reverse engineering their current work into the language of OKR—which really defeats the purpose. The whole point of OKR is to help you think critically about what you're working on, not simply find a new way to talk about it.

So how do you write better OKRs? One way is to think of Key Results as outcomes. If you express your Key Result as a measurable customer behavior, you almost automatically have a well-written OKR.

For example, your objective might be to Successfully Launch our New Product. Your key results might be

- 25 positive reviews in app store in first day.
- 3 mentions on industry blogs before launch.
- 1000 new user registrations in first week
- 25% of new users convert to repeat users

All of these are measures of user or customer or stakeholder behavior that result from your product launch effort. Now you'll notice that none of this is about what features your product has. It leaves open the "how." That gives you room to experiment with your tactics, but it aligns the team with the business result you're generating.

So, outcomes let you write better OKR by asking you to step back from your work, consider the meaningful business result that you're trying to achieve, and express all that in easy-to-measure terms of customer behavior.

Takeaways for Managers

- Don’t mistake impact—high-level aspirational goals—for outcomes. Impact is important, but it’s too big for any one group to target.
- Use the magic questions to define outcomes: what are the human behaviors that drive business results? How can we get people to do more of these things? How will we know we’re right?
- Remember that by “humans” we mean customers, users, employees, stakeholders, or anyone involved in the system that we’re building.
- When you’re planning work, be clear about your assumptions. Be prepared to test your assumptions by expressing work as hypotheses. Test your hypotheses continuously by working in small iterations, experimenting, and responding to the data and feedback you collect.
- Use outcomes to track progress. Leading indicators tell you that you’re going to hit or miss your target. Lagging indicators show your target. Build an understanding of what behaviors *lead to* achieving the *targets* you seek.
- Use outcomes (not features) to plan initiatives. Ask “what new behaviors will this initiative create that will deliver business value? How can we deliver that value sooner?”
- OKRs can be improved if you think of the Key Result as an outcome.

THREE

OUTCOMES-BASED PLANNING

So far, we've talked about outcomes as standalone targets. But teams often have to work with more than one outcome at a time. And leaders who need to coordinate the work of more than one team will also need to think in terms of systems of outcomes.

Understanding systems of outcomes and how they relate to one another is a big topic. In this chapter, I'll share with you one approach that I have found very helpful. (See the Reading List at the end of this book for pointers to other approaches.) It's a method that starts with a close look at what our customers, users, and employees are doing—their behaviors—and ends up with a roadmap, but a different kind of roadmap than we're used to seeing, an outcome-based roadmap.

Before we start though, it's worth spending a moment to talk about the complexity and uncertainty that we all have to confront when we work with systems of outcomes. It's tempting to think about outcomes as deterministic machines: I email customers. X% open the email, Y% click on the link, Z% end up at my website, etc. And while we may be able to track and predict those numbers, in point of fact, every step in this logical chain contains countless variables. The email has a subject, and body copy, and images. Which ones work best? What time of day should we send it? How attractive is the product we're offering? There are so many variables in this one simple example! And our working environments are rarely this simple.

All of this is to say that when we start to string together outcomes (if Team A does X, it will create Customer Outcome A, so Team B can do Y, which will result in Customer Outcome B) we have to be honest with

ourselves about what we know and what we don't know. With that warning in mind, I encourage you to start working on your systems of outcomes by honestly assessing what you do know and what you don't know, then use observations of customer behavior, data about what people do, and experiments to expand the scope of what you actually know.

Roadmap to Nowhere

Few things cause more frustration in product organizations than roadmaps. Roadmaps—documents, plans, charts, walls of sticky notes—whatever form they take, are designed to create visibility into the future. Typically, roadmaps are nothing more than lists of features and projects that technology teams have promised to deliver someday. They usually cover the time period that stretches out from the current quarter and into the next year. And it's in this time period that the source of the frustration starts to emerge.

Roadmaps are supposed to help organizations manage uncertainty—they promise to answer questions like, "*what are we going to be working on? What are we going to deliver? When can we expect this new capability / feature / product?"* These are all reasonable questions. The problem is that most of the time, the answers that make it to the roadmap are guesses, fiction, or lies.

One solution to this problem: outcomes-based roadmaps.

The Root of the Problem: Output-based planning

Roadmaps fail when they present a picture of the future that is at odds with what we know about the future. If we were setting out to cross an uncharted desert—one that we cannot see from the air, and that was of unknown size—it would be crazy to predict that we could cross it in a few hours. How far are we traveling? What terrain will we encounter? What sources of food and water exist? You get the idea—you'd be reckless to make a prediction. Instead, you'd probably present your journey (if you chose to make it at all!) as an exploration. You'd ask backers for funding based on the tantalizing promise of what you might find as you explored this unknown land.

And certainly, if you had a map at all, it would probably showcase how little you knew about the terrain.

The parallel here for product organizations is that much of the work they plan to undertake has a similar quality: it's filled with uncertainty, unknowns, and perhaps unknowables. So promising your organization a plan that's filled with certainty is similar to promising an arrival date for crossing the desert. But that's exactly what we're doing when we build roadmaps around outputs. We're promising a certain feature by a certain date. And while there are cases where this makes sense, there are many more where, given the uncertainty, it's irresponsible to promise certainty (in the form of certain features and certain dates.)

A better solution: plan around outcomes

Instead of building plans around the outputs that you'll make, it often makes more sense to plan around themes of work, problems to solve, or outcomes to deliver. The less certain you are that your outputs (ie. the features you want to deliver) will deliver the results you seek, the more it makes sense to plan in terms of outcomes, and to build your roadmaps around sets of outcomes.

To do that, you have to identify not just a single outcome (for example, the way a team might identify a problem and work on that one problem for a while) but instead you have to find a set or a system of related outcomes that taken together will create the result that you want.

There are a number of ways to do that, but here I'm going to share one method that I've used successfully, and that can apply in a large number of contexts: planning a roadmap around a **customer journey**. You can also use methods like Impact Mapping, and Outcomes Mapping, (see Reading List at the end of this book) or any other method that allows you to break down big goals into component parts. But I really like using customer journeys as the center of the conversation, because we're trying to visualize human behaviors, and customer journey maps are designed for exactly this purpose.

Mapping The Customer Journey

A customer journey is an idea from the world of service design. It's a simple idea: you make a diagram that reads from left to right and describes what

people are doing (their "journey") when they interact with your product or service.

So, for example, you might map a customer's experience when walking into a retail store. What do they see? What do they do? How do they find product, find help, pay, etc? This becomes more interesting when you realize that you can also map the journey of the other people who are delivering the service: for example, the staff in the store. What are they doing to deliver the service?

Building this diagram (sometimes called a "map") lets you and your team visualize what people **do** with your product or service. It lets you visualize **behavior**. This makes it very useful for finding outcomes, because, remember: outcomes are the **behaviors** that drive business results. So a customer journey map lets you see the behaviors in the system, which means that you can start to think about which behaviors you want to encourage, which behaviors you want to eliminate, and which ones might be missing.

Case Study: Improving NPS

Here's an example from a recent non-profit client. I was working with a team that had been asked to raise the customer satisfaction score of the service they delivered. The score they were using, called Net Promoter Score or NPS, is used to assess the likelihood of a customer recommending your product or service to others. The team I was working with had been given a goal to improve their score in the coming year. They were trying to figure out how to do this.

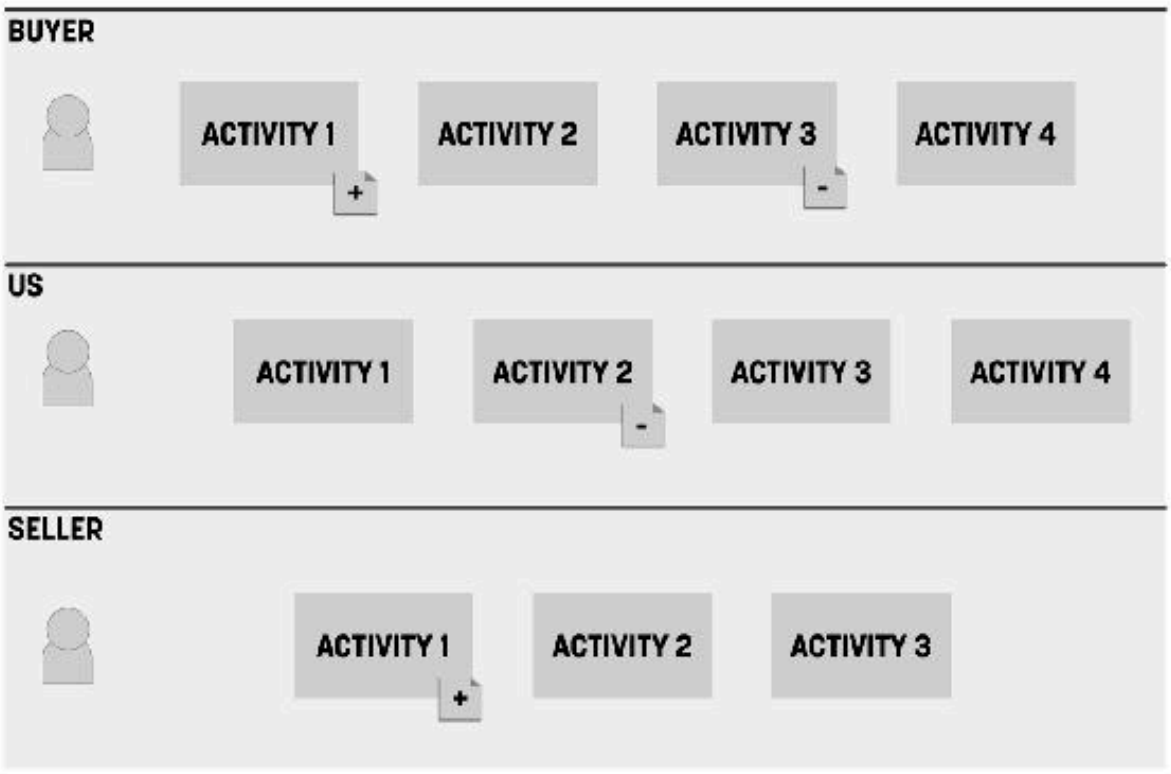
NPS is an impact. It's the sum of many factors. So we needed to break that impact down into smaller parts: we needed to identify the outcomes that would contribute to increased customer satisfaction. Our first step was to try to understand the current state of the service and see what was creating satisfaction today—and conversely, what was creating dissatisfaction. We did this by creating a customer journey map.

My client runs a two-sided marketplace. So we created our map with three swim lanes: seller behaviors, buyer behaviors, and organizations/system behaviors. Then, in each lane, we laid out an end-to-end, step-by-step picture of the things people do as they interact with the service and with each other.

This gave us our raw material: the behaviors of the people and systems that make up the platform.

Next: Boosters and Blockers

With that mapped out (on a big wall, from left to right, with sticky notes), we then went back through the map and asked our magic question: "*What behaviors at each step predict success and satisfaction? And what behaviors at each step predict failure and dissatisfaction?*" We wrote the success factors (or boosters) on green sticky-notes and we wrote the failure factors (or blockers) on red stickies.



For example, the team knew that when buyers and sellers meet in person early in the deal, things go better throughout the process. So we marked that as important behavior to promote. The team also noticed that buyers and sellers had a hard time getting together in person because they were often located in different places.

With these insights, we were able to ask questions like "*how might we encourage buyers and sellers to meet in person earlier in the process? And, how might we eliminate the problem of location, which is causing buyers and sellers to get stuck?*"

Goals Transformed: A Roadmap of Questions and Hypotheses

And as we answered those questions, we started to come up with a list of things we wanted to work on. Instead of the vague (impact-level) request to increase NPS, instead we had a much more actionable set of things to work on: we want to increase the rate at which buyers and sellers meet early in the

process. We want to decrease the rate at which buyers and sellers fail to meet due to problems of location.

Both of these goals are outcomes: they are very specific and measurable rates of behavior.

In this example, the team chose to stop there, and express the roadmap in terms of the questions we were trying to answer. ("How might we encourage buyers and sellers to meet early in the process?") We could have taken it one step further, and come up with a list of ideas for how we could encourage early meetings, and included those ideas in the roadmap. If you want to do that though, my recommendation is to avoid making a roadmap that's filled with answers and ideas. Instead, build the roadmap around hypotheses that link question and potential answer together. For example, you might say something like:

> We believe that if
> we increase the rate at which buyers and sellers meet early in the process,
> it will lead to more successful transactions (as measured by X) and higher user satisfaction (as measured by NPS.)
>
> We think we can increase the rate of early meetings [with this idea] and [with this idea] and [with this idea.]
>
> We will work on testing these ideas in Q1 of the coming year.

This Works for Any Impact You Seek

One final point here, you can use this method any time you're handed a target at the impact level. You're asked to increase sales? Create a customer journey map, and then review it with the magic question: "what are the behaviors in the system that predict higher sales, and how can we go about encouraging those behaviors?" You're asked to increase revenue? Same process: create a customer journey map, then ask "what are the behaviors that lead to higher revenue and how can we go about encouraging those?"

Takeaways for Managers

- Planning with outputs limits teams' agility and problem-solving flexibility. Increase teams' capabilities here by planning around outcomes
- Create outcomes-based roadmaps that list questions, themes, and outcomes instead of features.
- One way to find outcomes is to create Customer Journey Maps. These maps help visualize how systems work in terms of customer (and employee) behavior, and so can help you find important outcomes in the system.