Planet3

Team Handbook

Version: 1
Updated: June 21st, 2021

<u>Table of Contents</u>

Your actual job, and its KPIs	2
Quality Control & Specifications	3
Cost-efficiency, and profit potential: How to think like a business owner	4
Expected Value	6
Asymmetric Payoff Curves	7
We are all investors	8
Timeboxing and Imperfectionism	9
On “Perfectionism”	10
Timeboxing	12
There is always work to be done (between business hours).	13
The Four Categories of Necessary Compromises	14
Your compensation	15
Treat your team as you’d like to be treated.	16
The three types of contribution	17

Your actual job, and its KPIs

At the end of the day, your actual job isn't your job description (designer, copywriter, accountant, product manager, etc.) or your day-to-day activities (completing tasks on Trello, replying to emails). Your job has only three real parts:

1. **Treat your project as if it's your own small business:** Take ownership, assume responsibility, and be self-reliant (save your managers' time).
2. Earn more profit for the company by optimizing and growing your small business.
3. Be on the lookout for new opportunities for the company to make money, and bring them to your manager.

All team members, whether they be designers, copywriters, developers, etc., are *ultimately* judged primarily on the three responsibilities listed above, using the below two KPIs:

- Profit added to the firm (more is better)
- Management time required (less is better)

Quality Control & Specifications

Unless otherwise stated, no one will be QCing your work. You are ultimately responsible for QCing your own work. If you are unsure if this truly applies to you and would like clarification, please ask.

Adding a QC step prior to publishing/finishing tasks tends to teach the team member to rely on their manager to finish their work for them. This contradicts one of the primary goals of an employee: to reduce their manager's workload. You need to assume that your work will be pushed into production as soon as finished, without review. For example, if you are landing page designer, assume that we will spend $5,000 on paid traffic to your new landing page immediately, without checking it. This is a common occurrence. We trust our team members to do a good job.

If you are managing a freelancer on behalf of the firm, you are responsible for QCing their work. You may tell them that they are responsible for QCing their own work if you believe it will help them save your time (for the above reasons), but you are ultimately responsible for QCing their work.

When working with freelancers, it's important that you provide a detailed, complete, and explicit specification of the work they are to perform. If a freelancer does not deliver the work you expected them to, it is likely due to unclear guidance. With a sufficiently clear specification, there will be no room for misunderstandings or underwhelming deliverables, and unfinished or uncorrect work in the absence of an excellent specification document will be seen as a management failure on your part.

The only exceptions to the requirement of a thorough specification document are (1) when you are working with a freelancer on a task very similar to one you have already worked with the same freelancer on, and the previous task was thoroughly specified and was performed excellently, and (2) when the task being outsourced is very small in size, such that a few short sentences can serve as a thorough specification of the task.

Cost-efficiency, and profit potential: How to think like a business owner

We expect all team members to treat our business as their own small business. One reason you should do this is that, well, it is your own small business. Delivering a net negative value to the firm over a sufficiently long timeframe will inevitably be punished despite everyone's best wishes, if only due to fiscal limits imposed by the real world. On the other hand, delivering a large net positive value to the firm will obviously lead to personal gain; your compensation is inexorably linked to how much you grow the small business we share.

Naturally, this means we should explain a little bit about how to run a small business. Two very common sources of confusion for employees who have not spent much time as small business owners are the concepts of *expected-value* and c*ost-efficiency*.

As stated, your goal is to grow the firm. So, naturally, you should know at all times if you are growing the firm. But there are some counter-intuitive points which must be considered:

1. You get paid.
2. We are optimizing for *expected value*, not delivered/realized/materialized value.

You get paid.

This is obvious, but employees almost never consider this fact *on the micro level* when calculating whether or not they're adding positive value to the firm. As an example, let's say you are tasked with making a video advertisement. You find a voice-over provider who can deliver within 2 days for $30, and another who can deliver within 1 day for $50. You choose to save the company money by paying the cheaper service provider.

But have you really saved the company money?

If we begin running our ad 1 day sooner, how much more money are we likely to make? The opportunity cost of running a day later may be a considerable amount of profit.

What will you be doing in the meantime, while you wait the additional day for your voiceover to be delivered? Will choosing the slower service provider make you less effective at your job? It shouldn't, because *there's always work to be done* (this is covered in another section). But let's instead assume you chose to pay a service provider who was $10 cheaper but who doesn't edit their video to remove awkward pauses while speaking. That sounds cheaper, but you must also consider that you also get paid. This means you need to multiply [the expected length of time it will take for you to do this task] by [your salary's prorated hourly rate]. If this number is not below

$10, then it's actually cheaper for the firm to pay more to have the service provider do it for you. If this number is below $10, you still need to consider other factors, like opportunity cost.

As an additional example, let's pretend you decide you want to start doing Search Engine Optimization for the firm, and management gives you a green light. You crack away at this, and six months of labor cost and $12,000 in cash investment later we have finally cracked it, and see the potential to earn $1,000 in revenue per month from the project. The business is likely several dozen thousand dollars in the hole and the hole will only get deeper as the cost of running the project exceeds its earnings. Even if the profit from the project was greater than the costs of running it, it would likely only be a small win.

The lessons from the above two paragraphs are that both saving the firm small amounts of money and making the firm small amounts of money are not really what you want to be doing. We all want to feel confident every day that we're delivering value to our teammates, and that's easiest when you can calculate it with a large margin of error and be confident that the firm is in the green (there is always a large margin of error, even with perfect accounting, because we're optimizing for Expected Value, as mentioned. More on this shortly).

Meetings are an example of something generally people don't realize are extremely costly. Let's assume we have a meeting with 20 people who make, for example, $15 per hour on average. That means the meeting costs $300 prior to accounting for opportunity cost. Even simply wasting 12 minutes costs $60 in a purely financial sense. Of course, meetings have value, bonding has value, and relaxing a bit every now and then has value! So don't worry too much about this! But this is the mental framework all team members should learn to see the world through.

Expected Value

Sometimes the projects we work on don't work out, but this doesn't mean that you, as a team member, imparted a negative expected value on the firm. Like a good poker player or venture capitalist, we optimize for *expected value*, not literal dollar value. Sometimes you get bad luck, or sometimes we lack information when making decisions. If you do a great job exploring a new opportunity for the firm, and it doesn't work out, and we cancel the project, then you've made us money in a more complex way.

Expected value is the sum of all possible outcomes, each of which is calculated by multiplying its probability by the magnitude of the result.

For example, if a certain new project has a 5% chance of being a huge success and earning 1 million dollars profit, a 10% chance of earning, on average, $300,000, and an 85% chance of totally failing, the expected value of the project would be (0.05*$1,000,000)+(0.15*$300,000)+(0.85*$0), or $95,000.

Giving this project your best shot is thus, in a purely theoretical sense, worth $95,000 to the firm, regardless of the actual outcome. We are willing to spend, essentially, all of our cash reserves on positive-expected-value bets, even if they don't work out, to the degree deemed optimal by the Kelly Criteon.

This means, basically, that there is a necessary limit imposed on taking expected-value bets with a high risk of loss, which can be understood intuitively.

If you are offered a bet where you **risk all of your money** and 51% of the time you get all your money back plus $1 but 49% of the time you lose all of your money, would you take it?

This bet has a positive expected value, but you'd be an idiot to take it.

What about if 51% of the time you doubled your money? It would still be a bad bet. That's the kind of game you can only play once.

Playing that game over and over will inevitably lead to a total and catastrophic loss, and our firm is in the business of playing repeated games. However, if we could invest a small amount of money into this bet, we would play it over and over again all day long.

The goal is to play positive expected value games for as long as possible. So we don't take bets that could ruin the company (i.e large bets with a high chance of failure).

Asymmetric Payoff Curves

The last section started with “Sometimes the projects we work on don’t work out.” This is literally true, but writing it feels deceptive. In truth, the vast majority of the projects we work on fail.

It’s odd that you can run a successful business by mostly failing, but that’s how it is. The important thing is to keep failed projects short and cheap. As soon as we are reasonably confident it is a failure, or we have lost the reason to be bullish on it, we cut it loose. The sunk cost fallacy is very real.

The reason it’s okay to mostly start projects that lose money is that we can only lose as much money as we invest but we can earn an effectively unlimited amount. The upside exceeds the downside.

This is the fundamental insight behind the Venture Capital industry. The portfolio theories utilized by venture capitalists are based on an understanding that at least 90% of their bets will more-or-less fail. But that’s fine, because for every loser they lose a few million dollars, and for every winner they make a few billion.

You should develop a strong understanding of investing because, whether you know it or not, you are an investor (more on this later).

Another example of asymmetric payoffs: projects which aim to make money are much more valuable than projects which aim to save money, as their Expected Value is much higher. As you probably guessed, this is because we are only spending so much money per month, so that’s the maximum we could possibly save. The amount a project can save is limited, but the amount a project can earn is unlimited. The floor is zero, but there is no ceiling.

Conclusion

If you don’t have all the information available in order to determine whether or not you’re adding positive value to the firm (for example, because you don’t know whether your project is making or losing money), please ask us for the information you are lacking.

We are all investors

Even if you don't own stocks, you are still an investor. Money is a proxy for time, and you invest your time (which people are willing to pay you for, so we know it has value) at a company that you choose. The compensation you receive years from now is inexorably linked to the success of the company. Doing great work at a rapidly growing company with high profit margins is a recipe for a great career while working a job at a dying company in a shrinking industry will result in a complete lack of salary growth even in the event of excellent performance and selfless management. We are all investors.

Timeboxing and Imperfectionism

In general, opportunities are created by market changes. These opportunities are eventually arbitraged away by entrepreneurs, who serve the role of helping the market asymptote at efficiency. Due to the inherently time-limited nature of opportunities, (including: YouTube while it’s still permissive and under-monetized, cash-on-delivery while electronic payments are still less utilized in developing countries, etc.), we use two techniques to help us make progress at a rapid pace: Imperfectionism and time-boxing.

On “Perfectionism”

Many people would call us imperfectionists because some of our websites are unattractive, our funnels unoptimized, etc. It would appear to this audience that we are unusually proud imperfectionists.

If we are accepting the standard implications of the term, we’ll accept the accusation. But if you think about it further and allow us to be more precise with the definition of the word, the accusation is false.

The meaning of perfectionism relies on the meaning of “perfect”, which is meaningless unless we decide what we are optimizing for. We are a business where success is measured by the bottom line, not a non-profit with the stated goal of increasing the beauty of websites or performing the most thorough split-tests of funnels.

We are optimizing for rapid growth and bottom-line profit. The high-hanging and marginally-diminished returns that come from split-testing an 8th landing page variant with a new CTA button color are not what we are after, because of the opportunity cost we forego by not focusing instead on a new lateral opportunity to grow the business by an order of magnitude instead.

Conventional “perfectionism” simply doesn’t move the needle.

Instead, we are perfectionists of an art of our own.

Most tasks, performed 80% as well as you could possibly perform, will return roughly 80% of the best possible result. But performing the task 20% better will likely take 100% longer and only improve the result by 5%. And, as mentioned above, that 5% improvement only exists when taking a very myopic view of the situation; if you zoom out and consider the opportunity cost of the lost time which has caused decreased product throughput, the earnings of the business as a whole will have decreased compared to what would have been achieved with excellent “imperfectionism”.

As an example, if you are making a logo or website for an ecommerce website for a COD campaign, a logo or website that is 80% as good as you could possibly make is ideal, unless otherwise stated.

A perfect logo will not move the needle as far as profit is concerned but will waste valuable time and impart opportunity costs.

Remember: we deliberately choose to not compete in the world's most difficult games. Businesses and opportunities vary in their difficulty and we have chosen to focus on ripe opportunities and immature markets. As a result of this, it is not necessary to have the world's greatest logo, website, product, sales copy, etc. In most cases, it is only necessary -- and in fact profit-maximizing -- to perform a good, or, sometimes, great, job, quickly.

This will naturally feel very wrong. It's unintuitive. But don't miss the forest for the trees: even when you are working on making a logo, the task at hand is executing on the business model in order to capitalize on the relevant market opportunity. Making a logo is just one of the many things in the way of making this happen.

Managing your time and your task quality in a manner that optimizes for overall throughput and business profit is, in our view, true perfectionism and excellence, as this result is ultimately what you are truly tasked with. This is the only work you are truly expected to perform 100% as well as you can possibly perform.

Product throughput is so important because creating a second product in a business that has only one product will double revenue and profit whereas doubling the time spent on a logo will add only 5% to the bottom line *of just the product for which the logo belongs*.

In our art, true perfectionism is a lot of merely-decent logos, and excellence is a lot of merely-decent websites that sell an absurd amount of products.

Timeboxing

Timeboxing is a strategy that prevents us from getting stuck on a specific task where effort beyond a certain amount of time is unlikely to additively yield more than marginal results or is simply suboptimal as previously described. With timeboxing, you decide in advance that you won't spend more than X minutes making a logo. After X minutes elapses, you are finished, so it's best to add a buffer of a few minutes so you can polish it off and save your work.

To optimize imperfectionism when delegating tasks, specify the degree of quality you want out of each task, and/or set a maximum duration for the work. For example, you might say, "Do 70% as good a job as you could possibly do, and no matter what, don't spend more than an hour on it." Or you could say, "Do a decent, passable job, not even a great job, and don't let it take more than a half-hour."

There is always work to be done (between business hours).

If you understand the core business models we are using to capitalize on the opportunities at hand, then you should be sufficiently able to figure out what you can do to help even in the absence of explicitly defined assigned work.

As a very simple example, one of our business models is COD, and the primary opportunity is YouTube. If you work in marketing but have no assigned work, you should be planning possible future products. If you work in logistics, and our back-office fulfillment system still isn’t as good as it could possibly be, there are improvements you can make.

A small business owner always sees work to be done.

One side effect of thinking like a small business owner is that to-do lists only ever get longer. They do not get shorter. This is why all of our kanban boards have a backlog column. The to-do list gets longer, then you reprioritize tasks and backburner some, in order to help us mentally feel good for making the progress we are making, and not feel bad or anxious by the ever-growing list of infinite things that will always remain to be done.

The Four Categories of Necessary Compromises

Never override a team member on a decision when the effect of said change would be marginal, subjective, unknowable, or dependent on factors such that the effect is effectively unknowable in the case at hand.

Your compensation

People often do not actually understand the economic and game-theoretical factors which determine their compensation. This misunderstanding is sometimes the source of dissatisfaction. I feel that it may be best to simply be transparent about how compensation is really calculated. Hence this section.

How much you are paid is ultimately determined *primarily* by two factors:

1. How much EP you are adding to the company, where EP refers to Expected Profit (https://en.wikipedia.org/wiki/Expected_value)
2. How *beneficially irreplaceable* you are in the furtherance of the above

There are various ways to be irreplaceable. Only those which are beneficial to the company will be rewarded. Examples of non-beneficial ways to be irreplaceable include refusing to share your knowledge or skills with your co-workers. Beneficial irreplaceability is primarily derived from taking ownership, assuming responsibility, being self-reliant, and, above all, taking initiative to grow the company's profit through your existing project or through new opportunities.

Treat your team as you'd like to be treated.

Ideally, by hiring decent people and encouraging everyone to be decent to one another, our workplace will be a civil palace of productivity without us needing to implement draconian rules that restrict free speech (an arguably impotent endeavor, anyway).

We only have three rules regarding team interactions:

1. Don't ever make your colleagues feel unwelcome.
2. Be kind.
3. Assume good faith.

(In this context, we're all on the same team.)

The three types of contribution

There are three ways to achieve excellence. They are listed below in ascending order of rarity and value.

Aggressive Growth	Grow the business by executing excellently in your assigned role, thus growing your business model larger in the room already presumed to exist for it.	Expected
Creative Growth	Grow the business by ideating ancillary or lateral pivots which provide your business model with more room to grow.	Appreciably uncommon
Intrapreneurial Growth	Grow the business by ideating a completely new business model, validating it, and presenting it to management.	Extremely rare

After initial business model validation, a team is formed to execute on the business model. Thus begins the initial growth period, during which there is plenty of low-hanging fruit to pluck. During this period, the team can grow simply by executing vigorously at the task at hand, in the direction already planned. For example, for the YouTube-COD team, this means rolling out new products, or existing products into new countries. During this phase, Aggressive Growth is most important, while Creative Growth ideas are valuable, but will probably be backlogged, unless they are small changes that could have a huge impact on the company's valuation, longevity, or profit, such as creating a continuity/rebill program or putting changes in place to make our products "real brands". In some cases, testing out new traffic sources would be seen as a Creative Growth idea, whereas in cases where the traffic source is vastly different and may require different products, angles, or billing methods, this would be seen as an Intrapreneurial Growth idea. During this initial, easy growth phase, Intrapreneurial Growth ideas simply get added to management's BizDev backlog or are given to another team member to validate. Put simply, Intrapreneurial Growth ideas are less valuable because they are essentially "This radically new business model *might* be something we can grow into a large business" and we already have a business model we *know* can be grown into a large business; the task at hand is simply putting in the work required to do that.

As a business model reaches maturity, and the fruit can only be found higher on the trees, Creative Growth and Intrapreneurial Growth both become more valuable.

Intrapreneurial growth is the hardest for any team member to achieve. This is not least because you are already tasked full-time with achieving Aggressive Growth and/or Creative Growth. There are only so many hours in a day, and we understand this. However, it is worth noting that it is extremely rare for a company to find employees who can successfully, on their own, come up with new business models, validate them, and convince management they are worthy of attention. And thus this is the ultimate shortcut to improved compensation and, if you are the right fit for the job, running a division yourself.

Intrapreneurial Growth is within reach of every team member, even if you have no entrepreneurial experience. I recommend you share your ideas with us early and often, so we can give you feedback and help you formulate them. After that, you simply need to take initiative and remember. Do not fear “failure.” You are maximizing Expected Value, not short-term cash return.