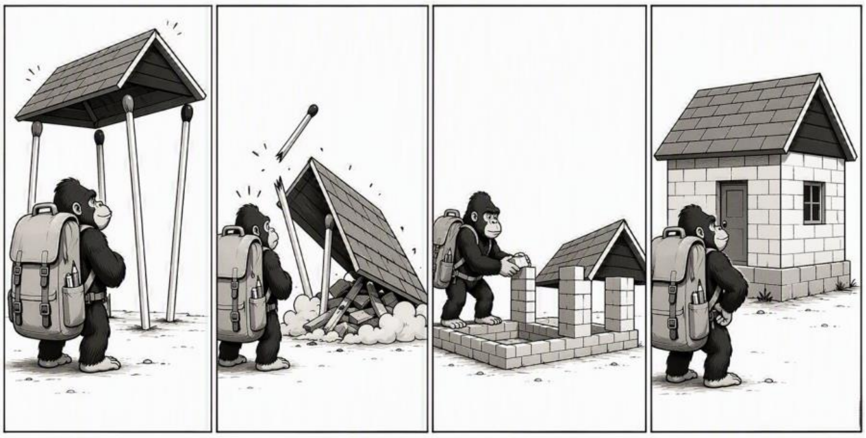
Chapter 2 — The Illusion of Progress

Seat: the founder.



Progress standing on matchsticks looks exactly like progress, until it collapses.

Core question: What causes activity to masquerade as progress?

The dangerous signals are the positive ones that cost the customer nothing; the obviously false ones take care of themselves.

First-time founders rarely struggle with effort. They struggle with signal quality. Most early-stage companies are active. Building, shipping, meeting customers, refining product, adjusting pricing, talking to investors, exploring partnerships. From the inside, this feels like progress. From the outside, it looks like momentum.

Activity is motion. Progress is evidence that behaviour or economics changed.

When everything looks like it is working

The early phase is full of encouraging signals. Customers take meetings, users give positive feedback, people say the problem is real, and some even say they would pay. Most of these signals require no commitment. Because they cost nothing, they prove little.

Founders get fooled not because the signals are fake, but because they are weak and upgraded too quickly. A polite conversation becomes validation. A pilot becomes proof. Interest turns into demand, and a meeting gets counted as traction. Each step feels reasonable, and each one is slightly too optimistic. Over time, the optimism compounds into a false picture of reality.

The company appears to move forward, but the underlying question remains unanswered: what has actually changed?

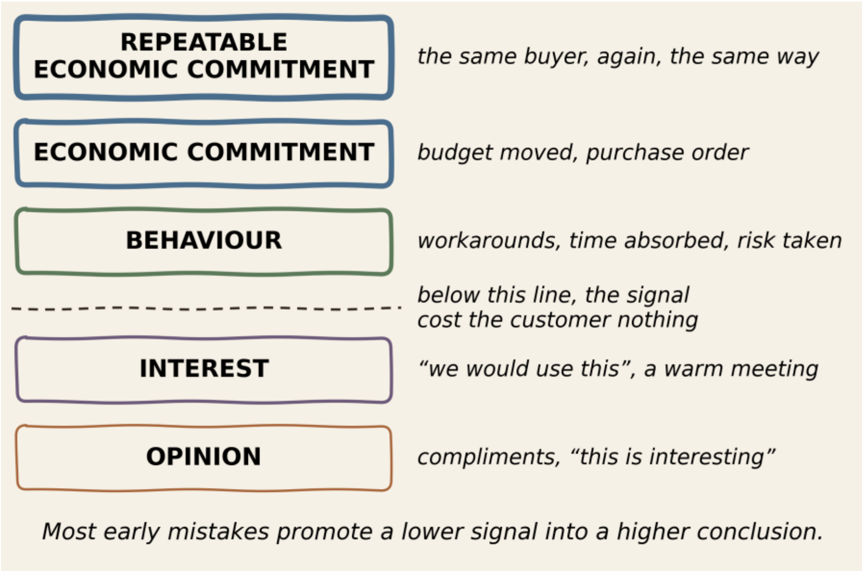
Not all signals carry weight

One committed signal outweighs a pile of costless ones.

Conversations matter. In the earliest stages, they are often the only way to learn what is real. But not all conversation is signal.

Costless words are weak evidence. Opinions, compliments, hypotheticals, "we would use this," and "this is interesting." Conversations only count when they reveal real behaviour: existing workarounds, absorbed time, money, or risk, failed attempts, and what would make a decision move now. Conversation is useful only when it exposes commitment, or the absence of it. Validation means learning what people pay for, not what they like.

The hierarchy runs: opinion, interest, behaviour, economic commitment, repeatable economic commitment. Most early mistakes happen when founders promote a lower signal into a higher conclusion.



A familiar pattern follows. A product gets strong early user feedback. Users describe the problem as important, praise the idea, ask for more features, and the team keeps building. Engagement rises. Usage increases. It looks like traction.

Then the product is offered commercially. A real money decision is required, and the signal changes. The same enthusiastic people hesitate, delay, continue with existing solutions, or ask for more time.

Nothing is technically wrong — the product works, the problem is understood, and the feedback was positive. But the signal never crossed from interest to commitment. The business built momentum on something too weak to support it.

A scar: revenue was the lagging indicator

I learned this the expensive way. The numbers said keep going; the Buyer Proof said close!

Markets change slowly, until the last steps happen fast. In 1999, customers in one segment began leaving us. Sales had been slowing for twelve months, and looking back, the quiet signals had been there even longer: more complaints about price than we had ever had before, small and easy to explain away one at a time. Revenue had not collapsed yet, but the trend was clear. We could see why even then: the market our customers operated in was maturing and consolidating around us, though we could not yet see how much of our own business it would eventually touch. The market no longer matched the customers we had built around.

We shut down a still-profitable operation serving that customer type — it was making money the day we closed it. That freed the company to focus on a different customer, and exposed the real signal mistake. Part of what led us there was watching what had already happened in other European markets ahead of ours; part of it came directly from our own customers, in what they were telling us. The users wanted workflow improvement. The economic buyer had a different problem: cost. When the focus shifted from improving workflows for users to reducing measurable cost for the budget owner, the business moved from roughly €2M a year to over €10M.

That was a lesson about signal quality, not about ignoring users. One signal showed a customer type leaving before revenue admitted it; the other revealed an economic buyer whose problem differed from the user's problem.

It also taught that correction has a price. Sometimes the company must commit to a short-term loss to reach the long-term win. It was one of the hardest decisions I have had to make. We had built that segment ourselves, from nothing, in the early 1980s, when the industry it belonged to did not yet exist. We had grown up together with the customers and the suppliers in it, almost twenty years of the same relationships deepening on both sides. It was also the segment that had carried us through the financial troubles of the early nineties. There was real pain in closing it.

I made the decision myself first, before bringing it to anyone. Then I went looking for the reasons it would be wrong, or for a better way to react, actively arguing against my own conclusion before I proposed it to the management team. I could not find one that held. When I brought it to them, everyone agreed, everyone except the sales people affected, who were afraid for their jobs, understandably. What made the decision possible was structuring it so that every one of them could be re-positioned.

The core question is simple: whose behaviour changes the economics of the business? If that person is misunderstood, progress can look real while the business stays capped.

Scar line: *Revenue is often the last signal to show that the market has moved.*

A scar: the launch machine ran ahead of the customer

How I ended up inside this launch is a scar story of its own. A few years earlier I had refused a distribution opportunity I should have taken. That refusal is told in Chapter 1. When the next platform came, I was not going to repeat the mistake. The moment I was given even the slightest hint of the opportunity, I began chasing it, actively engaging Microsoft before anything was public. We were a small company competing against large distribution operations, and we had opened our Swedish expansion less than twelve months earlier. We still won the Finnish and Swedish distribution rights for Xbox. The old scar had done its work — it made us faster and hungrier than companies many times our size.

Our position with Microsoft went back further than the console itself. We were one of Microsoft's first consumer partners in Europe, years before Microsoft had launched any consumer product at all. That position gave me access to Microsoft's leadership and product people well before anything was announced, and it is also how Microsoft sold us the belief the whole launch was built on. Scale, brand, and marketing budget would create advantage. We were sold the story in the language of chips, bits, and capability specs. This time, unlike the console I had refused years earlier, I did not just believe the story. I ran a proper financial analysis of the risks and the opportunity, and built a plan for managing both before committing. It was the discipline the earlier refusal had beaten into me, and it did not save us from the launch itself failing. It saved us from the failure taking the company down with it.

Which is how I came to watch, from the inside, what happens when a launch machine runs ahead of the customer. The machine was enormous: a global launch budget of half a billion dollars, with Europe as one of its main fronts. The customer-learning machine, next to it, was weak. The process was coordinated and directed centrally out of Europe, and there was no real channel for a distributor like us to raise a concern even if we had one. The campaign moved as one continent-wide decision, not a set of local conversations.

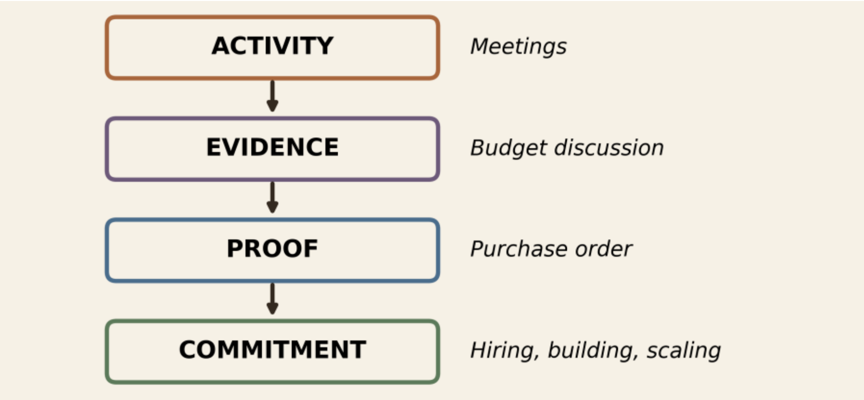
Too little real customer feedback shaped the pricing and the target audience. The ignored signals were visible before launch. At €479, the console was priced for a buyer Europe did not contain in sufficient numbers, and the audience with the strongest economic reason to move was not the one the campaign addressed. The feedback from buyers was immediate. The effort on our side was enormous, and sell-through was not there. Six weeks after launch, the price was cut by nearly forty percent, to €299: the fastest and most expensive customer interview in the industry’s history. Repricing meant a large amount of work on our side (repositioning stock, contracts, retail agreements), but it worked. For a while, we became the segment leader.

The Proof Stack would have forced the slower question before the machine accelerated: who is the economic buyer, what problem are they already paying for, and what price exposes demand rather than optimism? No budget answers those questions — only customers do.

And one more honesty. The launch failed, but the rights we fought for grew into a real business. Its ending, the harder decision, is in Chapter 8. A scar can put you in the right room and the wrong launch at the same time. The year was 2002 and the product was hardware in boxes; the mechanism is the one your launch runs on today.

Scar line: *A launch machine only amplifies the truth the customer has already given you.*

When activity starts hiding reality



Only proof earns commitment.

One common early-stage assumption is that enough activity will eventually produce clarity: build enough features, contact enough customers, hold enough meetings, run enough iterations, and the truth will emerge.

More often, the opposite happens. More product can hide a weak problem. More conversations reinforce bad assumptions, more meetings simulate progress, and the metrics stacked on top of them create understanding theatre.

Once the team starts making real decisions on the strength of activity, correction gets expensive. People are hired, capital is deployed, roadmaps harden, and expectations become commitments. At that point, the company is no longer learning; it is defending its assumptions. Funding can make that defence easier. It extends the runway without testing whether the direction deserves it.

Ask what would prove it wrong

Most startup conversations focus on speed: how fast can this be built, how quickly can it grow, how soon can it scale? Those questions assume the direction is right.

The better question is: what behaviour would prove this is working, and what behaviour would prove it is not?

Reality Check

- Name the last “good sign” you reported upward. A strong meeting, warm interest, a positive pilot. Did producing it cost the other side any time, money, or political risk, or did it cost them nothing to say?

- Recall the most recent case where something you had already counted as validated was asked to convert into an actual purchase order or renewal. What happened when the ask landed?
- Which product, account, or line is still profitable today, and what faster signal about that market did you already have access to before the profit numbers said so?
- Which customer behaviour changed your roadmap even though it required almost nothing from the customer to produce?

Founder takeaway

Price a signal by what it cost the other side to produce, not by how it felt to receive.

If a signal required almost no commitment from the customer, treat it as unpriced evidence until they risk something real.

A costless yes and a costly yes are different facts. Mistaking one for the other is the entire failure this chapter describes.

Revenue confirms what buyer behaviour often revealed months earlier.

Scar line: *Nice meetings do not pay invoices*.