Chapter 2

Product Mix

The Best Life Principle

Jonathan Hardy

Profit is not the legitimate purpose of business. The legitimate purpose of business is to provide a product or service that people need and do it so well that it's profitable.

James Rouse

Don't give people what they want, give them what they need.

Joss Whedon

In order to carry out your organizational mission, you must produce something of value—a product or service. What you produce must be a benefit to others that will both inspire people to join your organization in pursuit of the mission and serve as the fruit of your labors. The core products or services that you provide to the market are where your impact on the world begins, and these products or services represent your primary interaction with the world.

In this chapter we will explore how you can think about your core business and its potential to contribute or detract from organizational virtue. We will also propose ways organizations can potentially shift a non-virtuous product mix to neutral or a neutral product mix to virtuous and continually move your business in the direction of virtue.

Core business should fill a universal human need

Core business is the product and service mix on which you gain revenue. In other words, it is the tangible value that you offer to the world. In order for your business to be considered virtuous, this core business must not prevent or remove the achievement of basic human needs from any person, and it should be helping people achieve some element of at least one human need. Consistent with the deep why approach to the organizational mission, we adopt Maslow's hierarchy of needs as our framework for understanding the way products and services can affect organizational virtue.

When we consider Maslow's hierarchy, we should be able to identify one or more needs that our products or services are designed to fill. We can improve the virtue of our products by more purposefully designing our products and services to actively meet specific needs at one or more levels of the hierarchy. The following list provides examples of those needs:

- Physiological: Does your business provide for or improve basic needs such as food, sleep, or shelter? Does your business make meeting these needs more accessible or affordable for those who struggle to meet them?
- Safety: What are the risks associated with consumption of your product or utilization of your service? Does it reduce risk in people's lives? Does it deliver value with less risk than the alternatives? How does your core business affect the health and physical wellbeing of your customers? Does it improve it, make it worse or is it neutral?
- Love and belonging: Does your core business help consumers establish or maintain meaningful relationships? Does use of your product sometimes negatively impact relationships? Does it help strengthen or does it weaken communities?
- Esteem: Does use of your product positively or negatively affect the respect that your consumers have for themselves or that which they receive from others? Does your branding and marketing help others to feel better or worse about themselves? Does your business lead customers or community members to feel inferior or of lower value than others?
- Self-actualization: Are users of your product more or less able to reach their full potential than if they were not using your product?
- Self-transcendence: Does your product or service allow your customers to demonstrate the intrinsic value they place on other people, animals, or the planet?

In evaluating your core product, look at each element and examine the impact your product is having on that aspect of your consumers' lives. Consider the same for the members of the community in which your product is being used and for other stakeholders. Is there a difference in how your product was intended to be used and how it is actually used that affects your answers to these questions?

Do no harm

A virtuous product or service should add value to the consumers or community in at least one of these areas of basic human needs—but should also not be creating harm in other aspects. There are three main ways in which organizations can cause harm: either they can provide value at one level but erode values at lower levels (such as use of drugs that increase a sense of belonging while challenging safety), they can "trap" people at one level and prevent them from achieving higher levels (like social media platforms that provide love and belonging but may prevent esteem and self-actualization), or they can trade off the same value between different groups of people (such as law enforcement practices that disproportionately create safety for certain groups of people while making other groups of people feel unsafe).

As is often the case, this is not as cut and dry as we wish it were. Many products are created for a positive purpose but have negative side effects or can be misused in ways that are harmful. Other products are believed to be good at one time but later on are discovered to have negative effects. A virtuous organization is responsible and accountable for the effects of its products, services, and processes on people and the world. As we will discuss in greater detail in this chapter, it is important for organizations to be constantly keeping a pulse on the impact of their products and finding ways to actively identify and mitigate harm their products or services could be causing.

If a product or service causes harm, the company that produces it should be the first to identify the harm, the first to publicize the harm, and the first to respond in a way that will minimize and repair the damage.

One way to identify core product harm is to look at a utility-damage ratio—how much good is this creating for consumers and communities compared to how much harm it is causing? Almost all businesses will create some unavoidable harm so the question to ask is whether that harm is outweighed by the value of the product or service in filling an important human need.

Another approach to evaluating the virtue of your core business is to consider whether, if you were living your best life, you would use your own product in the way you are encouraging your customers to use it. We call this the "best life principle."

A virtuous organization seeks to maintain a product mix that adds value to the consumer by meeting their core human needs and promoting the product mix in a way that enhances that value (rather than sacrificing customer value to enhance the profit motive of the business). This concept acknowledges that your product could have a positive use as promoted in advertising (the potential benefit of your product, which you use to convince customers to buy the product) and a detrimental use in actual practice (how people actually experience your product and the ways that you nudge them to use it once they are using it).

Let's look at social media as an example. Facebook has stated its goal is to "give people the power to build community and bring the world closer together."[1] This is certainly a likeable proposition. And perhaps there are use cases in which people feel closer to people who would otherwise be separated by time or distance and in which communities of individuals can form and interact. However, evidence from social science appears to suggest that for many users, Facebook actually pulls them away from those closest to them and Facebook seems to employ and/or promote behaviors that can prevent people from building meaningful relationships, such as using algorithms to limit the range of news media presented to users—which increases the likelihood of Facebook generating revenue through clicks but exacerbating rifts between people with different points of view.

Similarly, the amount of time that consumers spend clicking on clickbait articles and scrolling through non-relevant information could just as easily be spent talking to or spending time with loved ones. However, Facebook has built its business on advertising revenue, which means it only gets paid when users are distracted from building community and strengthening relationships. This makes sense given that Facebook's revenue model makes a lot of money but doesn't necessarily deliver its promised "best life" value or align with its stated mission.

If leaders at Facebook were to apply the best life principle, they might consider how they would use Facebook if they were living life in the way they really desired or consider the ways in which their own use of Facebook differs from that of the average user. This may include reaching out to old friends, seeing key life events for those they care about, and learning from the insights of other people. It would likely include setting personal limits on how long they spend on the platform and a balance between online connection and face-to-face connection. After identifying this best life ideal, Facebook could look for ways to shift its actual and promoted use toward the ideal use to better benefit their customers.

Certainly, there are ways in which this would impact Facebook's current revenue model and thus might not be as simple as it sounds. If you consider that Facebook's advertisers are also part of the community, that people often want or need to connect with local or online businesses to meet legitimate needs for products and services, and that Facebook algorithms are often quite successful at presenting users with content they find interesting and compelling, an argument can be made that the best life measure does not deal a fatal blow to the Facebook revenue model. Instead, it suggests the need to carefully consider ways in which Facebook can balance its positive, mission-supported qualities with its negative, mission-deterrent qualities. The best life principle assists with drawing these distinctions.

A tool kit for building the customer's best life

We have identified that it is the role of a virtuous organization to minimize harm and find ways to achieve a positive impact with the least amount of negative consequences. Adjusting for the best life principle can have a large impact on sales and the future success of a firm, so in the rest of this chapter, we will explore ways that companies can successfully navigate these changes. We will explore the following four tools:

- Research and development: focusing effort and investment on developing ways to achieve utility with less harm.
- Product mix adjustments: introducing multiple products that focus on the same utility and guiding customers toward the lower harm products.
- The virtuous nudge: directing customers away from harmful product use and into more virtuous consumption.
- Customer education: communicating to customers about harmful effects and suggesting ways to gain the utility without the harm

Research and development

In addressing harm, organizations can and should find ways to become aware of and negate negative consequences through strong investment in research and development (R&D) to discover alternative solutions. While there may not be immediate ways for companies to help their consumers use their products in a virtuous way, we believe that all companies can find ways to achieve the same or similar value to consumers with better solutions in the long run. This could require significant research and change, and in this section, we will consider how organizations can start down this path.

All companies engage in a certain amount of product and market research in building out their business and finding ways to expand. Companies who are cognizant of the good and bad they do in the world will leverage this research to identify opportunities to shift the form and function of their product and the way they market it to do more good and cause less harm to consumers. But this should be considered a starting point.

Virtuous companies will dedicate R&D efforts to identifying potential ways their product could be harming others and actively seek to find better long-term solutions to the problems their business is addressing. They will also look for ways that they can make their products benefit others in areas where they are currently causing harm or not affecting customers.

The first point is that instead of waiting for outside researchers, consumers, or government regulators to identify harm that they are causing, virtuous organizations will proactively try to understand the impact that they are having and how it could be harming users or their communities. Not all organizations will have the resources to maintain R&D departments, but even small companies can stay connected with their customers to learn about the impacts of their business and stay updated with evidence-based industry research. Once they have identified harm, organizations can use the tools outlined in this chapter to help them find ways to minimize this harm.

The second point is that virtuous organizations will focus R&D efforts on providing products that are better for consumers and society. This could include focusing on issues they have identified and finding ways to counter the harm that is being caused. This could also include looking at a totally separate product offering that could meet the needs of the consumer without causing the harm that the current core product is creating. In either case, the company is putting time and money into research specifically to improve the impact it has on the world and to make the lives of people better.

One prominent example of reflecting on and redirecting product mix is in the oil industry. While oil companies provide real value to their consumers and society by providing energy that drives much of modern industry, their products also create many negative externalities. Oil companies who are seeking to be virtuous are focusing their investments and efforts on finding long-term solutions that reduce environmental impact while adding similar value to consumers. There are many examples of this, such as ExxonMobil investing more than $1 billion a year in low carbon technologies.[2]

It is important, however, that these efforts be more than greenwashing (trying to appear environmentally friendly on the surface for a better public image while failing to really value such change). As an example, some oil companies have come under fire (including Exxon) for publicizing investment in clean energy while also lobbying against legislation that would promote its use.[3] These companies clearly walk a difficult line of trying to find the best solution for the long term while also maintaining profitability with their current business model and products so they can make investments in new solutions and be around for the next era of energy production. Every organization must take an honest look at their public and private actions and do its best to reach for virtue.

A key to making these kind of changes is for companies to understand what the core value they offer to society is and then to find methods to achieve that end in more virtuous ways. It is because oil companies know that the value they add is energy, not oil, that they have been able to make targeted investments in new solutions to the same problem.

Companies that find themselves in situations where small changes will not shift their current product to virtue can start to invest in long-term solutions that can drive change in the future. By recognizing the harm they are creating and investing in research to find low-harm alternatives, they can build products and services that will help make the world a better place.

Product mix adjustment

While an immediate change to a no-harm solution may not be possible, in addition to investing in long-term fixes, virtuous companies can start to make small shifts in their product mix. Look at the value your current product offers and start to introduce products that are able to add that value even if they cannot do it at the same price point as your current solutions or if it is not a perfect match.

Too often, companies get caught in the product mindset instead of the purpose mindset. This product-focused trap leads organizations to consider solutions in the limited scope of their current product offering. Organizations who instead focus on their purpose will be able to identify options that solve the consumer problem but in vastly different ways. By adopting principles such as those taught in design thinking (prototyping multiple solutions to the same problem based on valuing the insights of those the product is designed for) organizations can consider many paths to solve a single problem and then identify low or no harm solutions to introduce while still accomplishing their overall purposes.

Imagine a tobacco company that was founded before a comprehensive research on the negative health impact of smoking existed—one that set out with the purpose of helping people relax and connect to people around them. This organization would have later encountered research that showed that its current product offering was likely having significant negative impacts on customers' safety and physiological wellbeing, leading the company to a decision point. If it saw itself as just a cigarette company, it may not have a lot of options; however, if the company viewed its mission as centered on helping people relax and connect socially, it could start to pursue and market new solutions that will help its customers obtain these same outcomes in healthier ways.

We can also see this in the example mentioned before of the shift that oil companies are making by starting to introduce renewable energy solutions into their product mix. For example, Exxon identifies itself not as a gas company but as an energy company and can thus produce both oil energy and solar energy and perhaps other energy types as well; although the full economic argument for solar power is still emerging, Exxon can start to introduce that option to consumers in time.

While this is one step toward virtue, companies could take this a step further by finding ways to subsidize the no- or low-harm product in order to encourage consumption. In the case of oil companies, they can leverage the high profits they gain in oil to decrease the price of renewable energy to consumers in order to encourage and grow its use more rapidly.

Companies who take this path will often then be able to start scaling these products and finding ways to drive down costs of the more virtuous options until they meet or exceed the profitability of the original product. In this way, they are not only promoting the use of better products, but they are creating a long-term, economically viable solution for their business that will keep them ahead of competitors.

The virtuous nudge

In almost all cases, products are created and marketed with the intent to meet a real need in customers' lives and to add value. As the product is rolled out and scaled, the organization may discover that in addition to meeting the need, the product itself also has harmful impact on the lives of those who consume it. One key way that virtuous companies can respond is in finding ways to promote new use of their product that will eliminate that harm.

One example of this is Apple's iPhone. This product was created to drive productivity and connection and while it created this value, Apple also realized that it was distracting drivers and creating dependency and attention issues.

Upon this realization, Apple could have chosen not to respond or to celebrate that they had created such an engaging product that people loved it enough to use it all the time. In this case though, Apple chose the virtuous response, at least in part.

With the release of IOS 11 in September 2017, Apple introduced a “Do Not Disturb While Driving” feature which sought to minimize distracted driving by preventing users from receiving notifications or unlocking their phone easily while driving. When the phone senses that the user may be driving, it requires them to click the “I’m Not Driving” button before the phone gives them access and resumes notifications. In this way, Apple owned the problem and introduced a nudge to shift the use of their product away from harm.

While this feature reduced the use of Apple's product in a dangerous situation, Apple has also released a feature that will also likely reduce overall use of their product. In September 2018 Apple released “Screen Time,” which allows users to view statistics on how much time they are spending on their phone and on which apps. The feature then allows users to set limits on how long they spend on certain types of apps. Screen Time could likely decrease users’ overall use of their iPhones, which has a variety of implications on the value users gain from the product but also addresses an important negative impact of this very useful product.

One way to look at this is that virtuous organizations are self-regulating. They recognize when there is a harmful impact in the use of their product and then put fixes in place to adjust use without being forced to do so. There are a number of industry regulators and other government regulators that will seek to enforce this type of change, but virtuous organizations will get ahead of these regulations and go above and beyond what is required. They truly view their purpose as serving their customers and will make necessary adjustments to their product that will help their consumers in the long term. These companies are proactive in finding these solutions and are willing to take small hits as a company to improve the lives of their customers.

Some concern has been expressed about the virtue of trying to control the way other people interact with your product. For clarity on this topic, we turn to Cass Sunstein and Richard Thaler’s idea of “libertarian paternalism,”[4] or respecting people’s ability to choose while nudging them in a positive direction. At the heart of this idea is the fact that organizations inherently shape the environment in which people make decisions. While organizations should not force people to make decisions that the organization believes are best for them they can and should strive to help them make the choice that they believe is in their best interest. As an example, consider the small grocery store mentioned earlier in this chapter. The store will make choices about which products are easy to grab while customers are waiting in line at the register, and customers will make the decision whether or not to buy those products. By choosing to place healthier options by the registers, the grocery store can nudge people towards making better choices while still permitting them to make the choice. In this sense, the store is being both paternalistic and embracing consumers' ability to choose.

Where possible, virtuous organizations find ways to nudge consumers to use their products in ways that negate the unintended harm that their products are causing. At times this could require sacrifices to ideal use and could even require shifts in the organizations' revenue models. These are trade-offs and changes that virtuous organizations will carefully make.

Customer education

A final approach that companies can take is to simply educate consumers on ways to reduce the harm that can come from their products. Unlike companies who find ways to nudge consumers to better use, these companies may find that it is difficult to introduce changes that can create better use and must lean on education.

Let’s consider the response of Johnson & Johnson’s (J&J) Tylenol brand to the 1982 deaths of some of their consumers due to an external drug tampering crime.[5] In recognizing these negative impacts of their product, Tylenol immediately recalled their products, helped with mass communications to educate customers on what had happened in order to prevent more deaths, and then put in better product protection mechanisms before putting the product back on the market. Tylenol owned the problem, educated the customers, and found solutions. This is the path of all virtuous organizations in response to harm caused by their core products.

While this example is fairly clear cut, J&J is in the midst of a much more unclear situation involving its baby powder. The Washington Post reported that in one of many cases brought against the company claiming that its baby powder was causing cancer, J&J was ordered "to pay $4.69 billion in damages to 22 women who claim the company's talcum powder products caused ovarian cancer."[6] J&J has conducted years of research on this and is convinced there is no link between their product and cancer. However, given significant external research disputing this claim, many have advocated that J&J should have printed warning labels on its product. In this case, J&J has opted to fight the accusations and failed to broadly communicate about the possibility of such a link. The company does have a second product that omits the ingredient in question, but it has made no change to the original product nor any attempt to better educate consumers on how to more safely use the product.

In this much more ambiguous case, J&J has decided to only communicate in response to media attention and has refused to do further customer warning. While it is not cut and dry, the unambiguously virtuous response, in this case, would be to communicate openly that while J&J does not believe there is a link between the baby powder and cancer, there are some studies that hint that the product could cause damage, and the company is doing further research to clarify and point people in the direction of the other product option.

These are challenging and ambiguous situations that each organization must grapple with, but we suggest that organizations who lead in virtue will default to acknowledging potential risks and educating their customers of those risks while working to mitigate or remove them.

Applying the tools

We now have a few tools that can be used to identify harm in your organization and to start yourselves on the path to virtue with your core products and services. Let's return now to the Facebook example and find ways the company could apply these tools to its product.

Facebook has a product that was initially created with the intent of connecting people, and it has succeeded at doing that. From connecting long-lost families members to allowing activists to create movements, Facebook has empowered connection in an industry-defining way. However, as Facebook has sought to become a profitable business, it encourages consumers to spend more time on its platform, share more personal information, and click on more links so the company can generate more advertising revenue. New research is showing that this has created negative effects on the attention span of users and created addictions that cause many people to waste time and lose self-control.[7] [8]

In evaluating its core business, Facebook could identify that its product has a negative mental impact on consumers by encouraging clickbait marketing and contributing to consumers losing some of their ability to focus and control their use of time. Let's focus on this dimension of Facebook's product impact and walk through the tools given in this chapter to find the virtuous implications for Facebook:

- Research and development: Facebook could focus investment on understanding how its product negatively affects its users and on finding revenue models that would allow for level or increased revenue while also decreasing the negative effects on attention and tendency toward addiction. This would require fully understanding the effects and what causes them and testing revenue models that would decrease these causes. This could include things such as leveraging content creators to have more engaged viewers by increasing fees based on length of visit. This simple shift in revenue model could ensure that Facebook benefits from mission-consistent consumption more than clickbait. Facebook could also create a paid premium account where advertising is removed and, if preferred by the user, algorithms would eliminate clickbait posts from the feed. This premium model could also offer features similar to Apple's Screen Time that allow people to evaluate their use of the product and self-impose limits.
- The virtuous nudge: Facebook could encourage users to focus on using the platform to connect socially with their contacts, de-emphasizing the role and prominence of ads on their site. This could, of course, significantly impact revenues.
- Product mix adjustments: With the results of their long-term solution finding, Facebook could start to pilot paid premium memberships alongside their current free, advertising-based option. As the company builds out the viability of the tools for the premium version, it could start to decrease the cost of the membership in order to shift the main base of users in that direction.
- Customer education: Facebook can start immediately to help users identify the ways that the product has negative effects on their attention spans through alerts, articles, and research. While doing so immediately could have an impact on revenue, Facebook can also strategically release this education in ways that invite consumers to move to premium models as they become available.

While this is all speculative and would require a lot of time and investment from Facebook, we hope that this provides a helpful illustration of how to apply these principles at your own company.

The virtuous path requires companies to explore totally new ways of viewing their core business. Businesses that understand their why and are willing to invest in the most virtuous means of achieving it in the future will succeed in the long term. In the case of Facebook, if it does not educate its customers and shift its model, it is likely that its customers will gain that education elsewhere and shift their attention to new products that meet their needs without the negative side effects. We believe that this is the virtuous path and the best path to long-term success.

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