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Turn product managers into super conductors

Rising customer expectations and the accelerating pace of innovation mean product management is getting harder and more important. Many companies should place more emphasis on this vital but sometimes underestimated role.

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Does your company celebrate its product management capabilities? For an activity so fundamentally important to the success of many organizations, product management receives less than its share of attention. In fact, plenty of product companies do not have an explicit product management role, so it pays to begin with a definition.

Product management is more than product development. It is the people, tools, and processes companies use to manage and coordinate the full product life cycle. That life cycle starts with the use of customer and market insights to develop a product and product portfolio strategy. It continues through the product definition, conceptual design, engineering, and manufacturing ramp-up phases, on through product launch and postsales support of the product once in the customer's hands, all the way to end of life and decommissioning, recycling, or disposal.

Successful products need good product management to effectively address customer needs, to direct R&D investments to define the right features, and to coordinate the multiple individuals, functions, and organizations involved in the product life cycle. Failure costs money, customer satisfaction, and market share. Budget overruns in product development and high product and portfolio complexity drive up costs, killing profitability. Products that reach the market late, pick the wrong technologies, or include the wrong features do not sell well. We have seen examples of technology companies where half of all new product introductions were delayed by more than seven months. In a time-sensitive market, those companies do not just miss revenues; they lose customers altogether.

A hard job, getting harder

Product management was always difficult, but the role is becoming significantly more challenging as product portfolios, supply chains, and ecosystems become more complex.

Customer expectations are evolving increasingly rapidly. B2B companies frequently report that their customers, accustomed to fast product and service innovation in the consumer space, for example, now expect the same from them.

Products are becoming more complex, both in their content and the number of options available to customers. A sports watch today may contain heart-rate-sensing technology, accelerometers, GPS, and wireless-communication components. In 2000, one carmaker offered customer options on a popular model that resulted in around 3,000 different possible vehicle specifications. By 2013, that number had risen to 2.7 million— an increase of more than a thousandfold.

Supply chains are stretching, in both directions, as companies source components from suppliers across the world and serve customers in diverse and geographically distributed markets. Supply network complexities go beyond the physical: high-tech companies frequently source key components from their direct competitors, for example, with implications on product differentiation and intellectual property security. Technology companies increasingly incorporate elements of open-source software in their products, replacing a commercial supply relationship with participation in a community of developers.

Product life cycles are becoming more complex, with customers expecting new features, improvements, and upgrades after purchase. When planning software improvements or product architecture changes, mobile phone makers and suppliers of enterprise IT equipment must consider the requirements of multiple product generations in their installed base, as well as their future technology road map. Releases are also becoming more frequent, with Internet companies launching new features and updates on a weekly or even daily basis.

In many sectors, the products themselves are just a small part of a bigger story. Modern products are increasingly just one element in an ecosystem of related services and businesses. Consumers often own a collection of different digital devices in their homes and expect services that operate seamlessly across them. Software is ever more likely to be offered as a cloud-based service rather than one that runs on the end customer's own hardware.

The importance of ecosystems is causing different industries to converge. Carmakers are introducing new features such as music streaming, connected navigation, and advanced driver assistance systems that make use of technology and data sources from external suppliers. They are also exploring new ownership models, from on-demand short-term rentals for urban consumers to leasing the expensive batteries used in electric cars. Electric-vehicle batteries may be used to store and supply energy for domestic use as well as transportation.

If these complexities have one thing in common, it is that they call for companies to take a full life-cycle perspective. Competitive advantage is less likely to come from a company's technology, design skill, or manufacturing expertise and more likely to come from its ability to combine multiple points of differentiation into a compelling offering for customers. That calls for product management excellence.

In response to these complexities, product management has taken on a preeminent role in some companies. This approach is particularly common in the high-tech sector, where product management may essentially drive the business. Many businesses still struggle with ineffective, inconsistent, or underresourced product management, however. This needs to change, with a focus on four key areas: organization, processes, capabilities and tools, and flexibility.

Organization

Different companies need different types of product management organization. A company's approach to product management will affect the responsibilities of the function, its reporting position within the business, and the way it interacts with other functions.

In some businesses, notably suppliers in advanced industries like the automotive and aerospace sectors, product management was traditionally an orchestration activity whose primary function is to deliver a complex new product to the market. In these companies, product managers manage the journey of the product through its life cycle, coordinating the information flow between marketing, R&D, procurement, production, and other stakeholders; managing stage-gate review processes; and bringing different functions together to tackle delays, resolve conflicts, and fix problems.

Other companies give the product management function additional responsibility for ensuring a product meets its business objectives. They may, for example, use product scorecards, with key performance indicators (KPIs) for cost, sales volumes, and growth. In this scenario, product management may not control the efforts of individual functions needed to meet those KPIs, but the function acts as an evangelist for the product, influencing other parts of the business to do what is necessary to achieve the best possible outcomes. This approach is often seen in the software sector, where product managers may also control the R&D budget for their portfolios.

Finally, some companies give product management full responsibility for profits and losses (P&L). In this scenario, product managers are like the CEOs of their individual product businesses, with control over the contribution of other functions and ultimate decision making responsibility over most aspects of the product. This approach is commonly seen in consumer packaged goods and increasingly among automotive OEMs, for example.

These different approaches lead naturally to different organizational positions for the product management function. In the first scenario, product management might report directly to a function like marketing. In the second, product management may report to a member of the senior executive team, such as the chief technology officer or head of product in a high-tech business. In the final scenario, product management will often report directly to the CEO.

The right structure is generally a function of the product, the business, and the market. Products with a very high degree of technical complexity require a highly skilled “super conductor” to shepherd them from definition through to launch. In the extreme, say with a fighter jet or satellite, the product manager may even effectively operate as a general manager, with all of the functions directly reporting to him or her with a solid-line relationship during development. Where the complexity arises from the need to meet fast-changing customer requirements or a specific market niche, companies tend more to the mini-CEO role, especially where ongoing management of pricing and P&L postlaunch is just as important as the execution of new products.

Processes

As complexity rises, so does the need for effective management, decision making, and accountability across the product life cycle. Everyone involved in the delivery of the product needs to understand what the key stage gates and milestones are, which functions are responsible for delivering what, and when delivery needs to happen. This must be supported with clear governance structures linking the project

organizations to the line organizations in escalating steps toward the board.

An effective product management function is responsible for enforcing these processes and for managing the cross-functional interactions required to keep the process on track. It also plays a vital role as a neutral judge in decision making, for example, by balancing product features or customization against cost.

In complex, fast-moving, and unpredictable environments, companies need to balance structure with the flexibility to allow product teams to adopt innovative processes. One way to do this is to incentivize outcomes rather than to adhere to particular methods. One major Internet company, for example, does not mandate code reuse in development, but its product release schedules are so short that they would be impossible to meet without it.

Timely, efficient, and clear decision making can transform product performance. One apparel company, operating in the fast-fashion environment, sits designers, product managers, and sourcing specialists for multiple product lines together in a single open-plan environment to promote continual interaction and strong communication. A major global pharmaceuticals player used a similar approach, bringing specialists from R&D, marketing, regulatory compliance, and other disciplines together under one roof to halve the development time for an important new vaccine, from five years to two and a half. Carmakers are doing the same for innovative high-priority projects.

Capabilities and tools

High-performing product management requires the right capabilities, tools, and infrastructure. The highly cross-functional nature of the work means skilled product managers rarely occur naturally in an organization. Staff with a background in one functional area, such as engineering or marketing, frequently lack the basic skills in the other functional areas and the critical skills they need to interact with other functions. Engineers may have a strong understanding of the technical aspects of the product portfolio, for example, but limited understanding of the intricacies of pricing, business plan development, or turning customer insights into product specifications.

Leading companies tackle these gaps with a systematic capability building effort. They may, for example, establish a “product management academy” designed to fill key skill gaps through carefully selected training, coaching, and mentoring activities. This training may include, for example, techniques for effective and unbiased customer research, the challenge of which is often underestimated.

In a world of networked products and big data, analytical tools and capabilities are playing an increasingly important role, and their potential to influence all aspects of the product life cycle makes product management the natural home for such activities. One consumer technology company, for example, uses data collected from online devices to understand the impact of different features on customer usage and hence consumable sales. Insights from this effort not only help inform feature decisions for future products, but they also help the company shape its marketing and customer support efforts. Learning that customer adoption of certain features was likely to drive increased usage, for example, the company took steps to encourage the use of

those features such as offering help to connect devices at the point of sale and providing vouchers for discounts that could be accessed only when the feature was activated.

In the automotive sector, carmakers are using digital tools to generate richer customer insights too. They can analyze sales data to reveal the impact of different options on margins and secondhand value among different customer groups and regions, for example. By hiding these advanced analytics capabilities behind a user-friendly front end, companies can support their frontline sales teams, helping them tailor product suggestions more closely to customer requirements and reducing risk in lease pricing, thanks to a better understanding of the likely resale value of the vehicle when the lease expires. The same tools can help processes behind the scenes, allowing companies to modify the configuration of fleet vehicles to maximize resale value, for example, or allowing used-vehicle stock to be allocated to the regions and dealers where it is likely to achieve the highest price.

Flexibility

In a rapidly changing world, product management capabilities need to be strong, but they have to be flexible too. The complexities described above are affecting many companies and industries so profoundly that even formerly successful product management approaches may no longer be appropriate.

Some companies already find the need to adopt different processes and product management approaches for different products. A technically innovative product or radical new idea may start life in a separate incubator or in “skunk works,” for example. A strategically critical new product line might call for its product management organization to report directly to the CEO, even if the company’s mainstream product lines are managed by the R&D or marketing department.

In other cases, fundamental shifts are causing companies to redesign their entire product management organization from the ground up.

When one major software company switched from periodic product sales to a cloud-based subscription model, for example, it also needed to revamp its entire product management and development infrastructure. The changes affected the whole business. Development teams adopted agile programming techniques that allowed them to switch from an 18- to 24-month release cycle to an environment where new features were created on a continuous basis.

The company invested in new technologies to serve these frequent updates to consumers and allow them to access the company’s products for a wider range of computing platforms. It built new interfaces to help third-party developers extend the capabilities of its products with extensions and add-ins. Perhaps more fundamentally, however, the change resulted in the creation of entirely new kinds of business, with the development of social networks and online skill marketplaces for users, who worked in a number of highly skilled professional-services industries.

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Product management is often overlooked by companies seeking to achieve product development excellence, but its importance is rising steeply, as the performance of individual product lines can make or

break a company. Many organizations could improve the basics, like processes, capabilities, and governance. As complexities rise, they may also need to make more fundamental changes, shifting decision making and commercial accountability, and adapting their approaches to suit the specific needs of different products, ecosystems, and markets■

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