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# Product managers for the digital world

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The role of the product manager is expanding due to the growing importance of data in decision making, an increased customer and design focus, and the evolution of software-development methodologies.

**Product managers** are the glue that bind the many functions that touch a product—engineering, design, customer success, sales, marketing, operations, finance, legal, and more. They not only own the decisions about what gets built but also influence every aspect of how it gets built and launched.

Unlike product managers of the past, who were primarily focused on execution and were measured by the on-time delivery of engineering projects, the product manager of today is increasingly the mini-CEO of the product. They wear many hats, using a broad knowledge base to make trade-off decisions, and bring together cross-functional teams, ensuring alignment between diverse functions. What's more, product management is emerging as the new training ground for future tech CEOs.

As more companies outside of the technology sector set out to build software capabilities for success in the digital era, it's critical that they get the product-management role right.<sup>1</sup>

## Why you need a product manager who thinks and acts like a CEO

The emergence of the mini-CEO product manager is driven by a number of changes in technology, development methodologies, and the ways in which consumers make purchases. Together, they make a strong case for a well-rounded product manager who is more externally oriented and spends less time overseeing day-to-day engineering execution, while still commanding the respect of engineering.

## Data dominates everything

Companies today have treasure troves of internal and external data and use these to make every product decision. It is natural for product managers—who are closest to the data—to take on a broader role. Product success can also be clearly measured across a broader set of metrics (engagement, retention, conversion, and so on) at a more granular level, and product managers can be given widespread influence to affect those metrics.

<sup>1</sup> For more, see Chandra Gnanasambandam, Martin Harrysson, Rahul Mangla, and Shivam Srivastava, "An executive's guide to software development," February 2017, McKinsey.com.

### Products are built differently

Product managers now function on two speeds: they plan the daily or weekly feature releases, as well as the product road map for the next six to 24 months. Product managers spend much less time writing long requirements up front; instead, they must work closely with different teams to gather feedback and iterate frequently.

### Products and their ecosystems are becoming more complex

While software-as-a-service products are becoming simpler for customers, with modular features rather than a single monolithic release, they are increasingly complex for product managers. Managers must now oversee multiple bundles, pricing tiers, dynamic pricing, up-sell paths, and pricing strategy. Life cycles are also becoming more complex, with expectations of new features, frequent improvements, and upgrades after purchase. At the same time, the value of the surrounding ecosystem is growing: modern products are increasingly just one element in an ecosystem of related services and businesses. This has led to a shift in responsibilities from business development and marketing to product managers. New responsibilities for product managers include overseeing the application programming interface (API) as a product, identifying and owning key partnerships, managing the developer ecosystem, and more.

### Changes in the ‘execution pod’

In addition to developers and testers, product-development teams include operations, analytics, design, and product marketers that work closely together in “execution pods” to increase the speed and quality of software development. In many software organizations, the DevOps model is removing organizational silos and enabling product managers to gain broader cross-functional insights and arrive at robust product solutions more effectively.

### Consumerization of IT and the elevated role of design

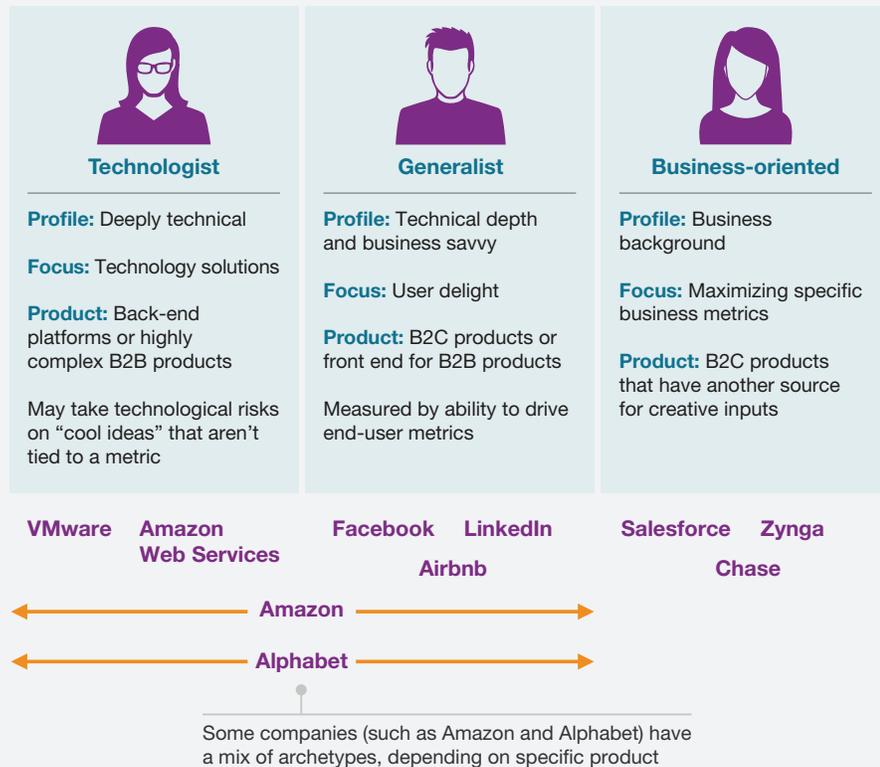
As seamless, user-friendly consumer software permeates our lives, business users increasingly expect a better experience for enterprise software. The modern product manager needs to know the customer intimately. This means being obsessed with usage metrics and building customer empathy through online channels, one-on-one interviews, and shadowing exercises to observe, listen, and learn how people actually use and experience products.

### Three archetypes of the mini-CEO product manager

There are three common profiles of the mini-CEO archetype: technologists, generalists, and business-oriented. These three profiles represent the primary, but not the only, focus of the mini-CEO product manager; like any CEO, they work across multiple areas (for instance, a technologist product manager will be expected to be on top of key business metrics). Most technology companies today have a mix of technologists and generalists (Exhibit 1).

## Exhibit 1

The mini-CEO is the dominant archetype for Silicon Valley product managers.



Source: Interviews with product managers at leading technology companies; McKinsey analysis

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As these three archetypes emerge, the project manager is a fading archetype and seen mainly at legacy product companies. The day-to-day engineering execution role is now typically owned by an engineering manager, program manager, or scrum master. This enables greater leverage, with one product manager to eight to 12 engineers, versus the ratio of one product manager to four or five engineers that has been common in the past.

### Common themes across the three archetypes

An intense focus on the customer is prominent among all product managers. For example, product managers at Amazon are tasked with writing press releases from the customer's perspective to crystalize what they believe customers will think about a product, even before the product is developed.<sup>2</sup> This press release then serves as the approval mechanism for the product itself.

<sup>2</sup> Jillian D'Onfro, "Why Amazon forces its developers to write press releases," *Business Insider*, March 12, 2015, [businessinsider.com](http://businessinsider.com).

There are, however, differences in how product managers connect with the users. While a technologist may spend time at industry conferences talking to other developers or reading *Hacker News*, the generalist will typically spend that time interviewing customers, talking to the sales team, or reviewing usage metrics.

### **A new training ground for CEOs**

Modern product managers are increasingly filling the new CEO pipeline for tech companies. Before becoming the CEOs of Google, Microsoft, and Yahoo, Sundar Pichai, Satya Nadella, and Marissa Mayer were product managers, and they learned how to influence and lead teams by shepherding products from planning to development to launch and beyond. Such experience is also valuable beyond tech: PepsiCo CEO Indra Nooyi started her career in product management–like roles at Johnson & Johnson and Mettur Beardsell, a textile firm.

While today such a background remains rare among CEOs, product-management rotational programs are the new leadership-development programs for many technology companies (for example, see the Facebook Rotational Product Manager Program, the Google Associate Product Manager Program, and the Dropbox Rotation Program). Any critic of the analogy between product managers and CEOs will point out that product managers lack direct profit-and-loss responsibilities and armies of direct reports, so it is critical for product managers with ambitions for the C-suite to move into general management to broaden their experience.

### **The product manager of the future**

Over the next three to five years, we see the product-management role continuing to evolve toward a deeper focus on data (without losing empathy for users) and a greater influence on nonproduct decisions.

Product managers of the future will be analytics gurus and less reliant on analysts for basic questions. They will be able to quickly spin up a Hadoop cluster on Amazon Web Services, pull usage data, analyze them, and draw insights. They will be adept at applying machine-learning concepts and tools that are specifically designed to augment the product manager's decision making.

We anticipate that most modern product managers will spend at least 30 percent of their time on external activities like engaging with customers and the partner ecosystem. Such engagement will not be limited to consumer products—as the consumerization of IT continues, B2B product managers will directly connect with end users rather than extracting feedback through multiple layers of sales and intermediaries.

Similarly, the background of future product managers will evolve to match this new role. A foundation in computer science will remain essential and will be supplemented by experience and coursework in design. Product managers will know how to create mock-ups and leverage

frameworks and APIs to quickly prototype a product or feature. Product managers will typically start their careers either as engineers or as part of a rotational program. After three to four years, they may get an executive or a full-time MBA with a specialization in product management, which is becoming an area of focus at several top-tier MBA programs, and which we expect will become more prevalent.

A key aspect of a future product manager’s profile will be frequent transitions between products and even companies. A product manager at a leading B2B technology company told us, “For success at our company, it is critical that you are constantly learning not just new technologies but also new business models. Hence we hire a lot of folks laterally from Google, Amazon, and VMware and encourage our product managers to rotate through products.”

**Getting started: Redefining your product-management function**

We recommend that organizations begin with a thorough assessment of their current product-management capabilities in six areas: a grounding in customer experience, market orientation, business acumen, technical skills, soft skills, and the presence of organizational enablers. Companies typically focus on being best in class in one to three areas and meeting the bar across the board (Exhibit 2).



Once a company has established a baseline of its product-management capabilities, it typically follows two parallel paths—hiring new talent in strategic areas and investing in a broad capability-building program for existing talent. For the latter, a field-and-forum approach has proved to work best, where product managers work on real projects with regular coaching and feedback.



Software development needs to be a strategic priority for all companies in today's digital era. Product managers play a pivotal role, serving as the connection between software-engineering teams and all other parts of the organization. Distinct archetypes have emerged at leading tech companies that can point the way for organizations setting out to build new digital capabilities. □

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