

THE
PRODUCT
MANAGER'S
DESK REFERENCE

SECOND EDITION

STEVEN HAINES

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**New York Chicago San Francisco Athens London
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Singapore Sydney Toronto**

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TEMPLATE SECTION – MODULE 6

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PREFACE

PERSPECTIVES

I wrote the first edition of *The Product Manager's Desk Reference* in response to an overwhelming need for a unified collection of business practices—a body of knowledge for product managers and product leaders. Since its release, tens of thousands of people have turned to this book for practical “how-to” guidance and applicable tools. I must say that it’s incredibly gratifying when people send me pictures of the book with pages bent over, colorful stickers protruding from all angles, and other signs of daily usage!

The insights in this book are built around a core framework called the Product Management Life Cycle Model, which is designed to help Product Management professionals and others manage products holistically across their life cycles. It has been interesting for me to observe that this book, as a product, has a life cycle of its own. I have received a lot of feedback and many suggestions from readers of the first edition, and these ideas have helped me reenergize the look and feel of the content in this new edition.

Over the past few years, I’ve heard CEOs renew their call for innovative new products that get to market faster. They have overhauled planning processes and introduced rapid product development methods. Even with this emphasis, I’ve often seen the gears of organizations just not moving in lockstep with each other. This can result in a product without a competitive edge, or a bug that didn’t get picked up by the people in Quality Assurance.

Even as executives make changes in their organizations, I’ve learned there is additional work to be done. Based on my research, I can see that more attention should be paid to the funding of market intelligence programs to help promote inspirational market insights. Yet, even if research is funded, insights alone won’t help in the absence of a cogent strategy. To be able to craft the strategy, real financial and business data are required! Interestingly, more than two-thirds of product managers surveyed do not have adequate financial or market share data to help them assess their product’s performance. This leads me to one of my greatest concerns: the lack of attention to the management and optimization of products currently in the market. If more data about current product performance was available, better decisions would be made about existing and future products. Furthermore, if product managers realized the psychological rewards that can be reaped when they take charge of a money-maker or breathe life into a stale brand, they might think twice about working on that next great technology!

While corporate executives intend for product managers to be more strategic, product managers say they direct their energy toward tactical,

day-to-day work and “firefighting.” Most of us know that this is due to the need to produce short-term results. Another reason that prevents product managers from being strategic-minded business thinkers is that often there are simply too few individuals on staff. A third challenge is related to the people in other functions who do not play their part, for whatever reason. Notwithstanding that some product managers need to up their game, this imbalance is not sustainable—and that’s a tall order.

However, all is not lost! Now, more than ever, business leaders do care more deeply about efficiency and innovation. The “function” of Product Management *is* on their radar screen because they’ve come to realize that Product Management, done right, will contribute to their firm’s ability to produce the great products and innovations that customers clamor for.

As a great example, over the past few years, a new role has emerged in many firms: Chief Product Officer (CPO) or an equivalent title. The CPO is a crucial leadership position and usually reports to the CEO. In a recent interview with a person at this level, I learned that she worked with the CEO to reorganize the executive cabinet to replace uncooperative executives (i.e., those with their own functional agendas and misunderstandings about Product Management) with a more collaborative leadership team. This leader also hand-picked product managers based on specific criteria, including critical thinking skills, the proven ability to solve problems in a collaborative way, and an overall solid business and operational understanding.

I am encouraged by the progress that’s been made and am committed to continuing my efforts to professionalize the role of the product manager and to help leaders fortify the function of Product Management. As many are aware, I wrote two other books that extend my contribution to this area. *Managing Product Management* is designed to help senior leaders improve how they align the organization and support product managers. *The Product Manager’s Survival Guide* is aimed at assisting newer product managers to be as productive as possible, as fast as possible. I am told that experienced product managers have found the *Survival Guide* to be a great resource to remind them of the work they should be doing!

WHAT’S NEW?

Now, let me tell you about the second edition of *The Product Manager’s Desk Reference*. As Steven Covey said, it’s important to “sharpen the saw,” and that’s what this edition is about. If you’re curious to know how it’s different from the first edition, here’s a synopsis of the improvements:

1. The Product Management Life Cycle Model has been expanded to draw more attention to the areas I refer to as “Innovation and Discovery.” You’ll find that this can enhance your perspective on the

- inputs required to plan, prioritize, launch, and manage products, services, and solutions.
2. In order to improve accessibility, all figures and tables have been updated. Process diagrams, workflows, templates, and checklists are easier to view and understand. I've also added directories at the beginning of the book for both illustrations and templates. A quick scan can get you to the right tool, just when you need it. In this book, you'll find more than 190 figures and more than two dozen templates. By the way, check out a major new template that I call a *Competitor Dossier*. It provides a terrific blueprint to understand your competitors in a more holistic manner.
 3. I've provided a more finely tuned description of the role played by the product manager and how the product manager can effectively negotiate with and engage with people in other functions. The product manager plays the role of facilitator, partner, and orchestrator, and this context is threaded across many of the chapters. I've also included information that considers multicultural, globally situated teams.
 4. Greater attention has been given to the need for the product manager to be able to garner market insights and craft strategies.
 5. Improved perspectives on roadmaps are included, from both the historical perspective as well as from a more forward-looking point of view.
 6. Across many of the chapters, I've mentioned the importance of storytelling as a way to improve communication, transfer knowledge, and ensure everyone is "on the same page."
 7. As ideas are cultivated, I've recommended that product managers focus on experimentation and the development of prototypes so that opportunities can be vetted more quickly.
 8. I've highlighted the need to pay closer attention to elements of the product's design and appearance during the phase when new opportunities are being considered. I've reinforced the need to make sure a designer is part of the team as product ideas are both considered and developed.
 9. Succinct guidance has been provided in the Product Requirements Document (PRD). A new template and outline has been added. I've also included information to help increase uniformity and consistency in the product definition process through the introduction of peer reviews and inspections.
 10. In Chapter 16, I've offered some context around rapid product development. I've portrayed the need for speed through iterative interactions both with customers and with your development team. This section is not a treatise on the *agile* method. Rather, it contains

a message about the need to consider rapid development techniques in your go-to-market strategy.

11. Module 4 on Post-Launch Product Management has been greatly expanded. Previously, one chapter was devoted to the management of existing products. Chapter 19 has been recast and is entitled “Post-Launch Strategic Performance Analysis” so that you can focus your efforts on how well your product is doing in the market and in its contribution to business results. Chapter 20 is entirely new and is entitled “Post-Launch Strategic Mix Management.” It’s designed to help you determine the type of investments that could be made to upgrade the product, reduce costs, improve the customer experience, and expand into new markets. I’ve also added sections that help you construct a strategically grounded and integrated *roadmap*, create a value-based market price, and improve your ability to influence programs to advertise and promote your product and educate your customers.
12. Module 5, as with the first edition, concentrates on the professionalization of Product Management. However, I’ve revised the product manager self-assessment to be a more user-friendly tool. You can explore this in Chapter 23. In Chapter 24, I’ve augmented the guidance provided for leaders so they have greater perspective on their role and so that they can be better coaches for product managers.

Overall, the second edition contains a lot of new content, significant revisions, and more engaging visuals. I trust that you’ll use this resource for a long time to come!

CLOSING COMMENTS

If there’s anything I’ve learned in my decades as a business person, it’s this: without regard for organizational commotion and dysfunctional teams, product managers have the best job! One reason is because it’s the only role that is “whatever you make of it.” It’s also the best job for people who want to be their best and contribute the most. We cannot know everything, and we learn continuously from the situations we encounter. We make our mark and earn empowerment by connecting the dots and seeing the big picture. We make sense out of amorphousness and the unpredictable actions of market players, craft and recraft our strategies, and get others to come along for the ride. That’s leadership—and that’s what product managers do.

I hope that you will hop on board this dynamic machine of business and that the second edition of *The Product Manager’s Desk Reference* will be the ever-faithful companion in your quest for innovative, market-defining products that will delight your customers and spark envy from your competitors.

INTRODUCTION

THE ACCIDENTAL PROFESSION

I teach Product Management workshops all over the world. At the start of every session, I ask if anyone has a degree in Product Management. Virtually all the time, there is no response. In the classroom, students represent a wide variety of backgrounds and college majors: marketing, finance, physics, engineering, computer science, English, philosophy, psychology, graphic arts—but no diplomas in Product Management. However, when asked how many have product manager as their job title, most participants raise a hand.

So the obvious question is, “If you’re all product managers, but you can’t get a degree in it, how did you get the job?” The answers often sound something like this:

- “My boss asked me if I wanted to do the job, and I thought it would be a good experience.”
- “I thought it would be interesting.”
- “I was in development, and since I knew the product, they thought I’d do well here.”
- “I was in sales, and since I understood the product, I thought this was the next logical step.”
- “It sounded like such a neat job.”
- “I did marketing before, so this was a good fit for me.”

Welcome to the accidental profession.

EVERYONE COMES FROM SOMEWHERE ELSE

You may have backed into Product Management from another field or business discipline. And you may be feeling overwhelmed as you try to figure out how to get an amorphous collection of urgent, important things done, right away. Dozens of distractions pull you in all directions—some important, some not—yet it seems essential to address each detail effectively. Things happen so fast you cannot structure them, cannot build in your mind’s eye a clear picture of how things should be coming together. Everyone is placing tremendous expectations on you; chances are you have no idea how to meet some of the key expectations, nor are you even aware of all of them.

People in charge of products and services tend to manage them within the context of their own discipline (engineering, marketing, etc.). Faced with decision points, they simply choose the priorities that seem urgent to

themselves or their management. When specialists from other areas plunge into the job, without adequate knowledge and support structures, they may end up operating a lot like Lewis and Clark. They become strangers in a strange land, guided by natives who speak strange languages and don't understand the importance or priorities of Product Management.

Adding to this confusion, Product Management has no well-defined framework and is often treated as a transient discipline in many companies. Consider a few obvious symptoms:

- No two companies seem to manage products the same way.
- Product managers report to different functions in different companies.
- Organizations and policies do not seem to line up in ways that support strong Product Management.
- Executives split important processes between too many departments, creating inefficient methods.
- A high percentage of typical product “practices” are either nonexistent, unnecessary, or made unnecessarily difficult because they are not based on proven, best-in-class methods.
- Most companies have neither a formal structure nor standardized internal Product Management professional development programs.

As a result, product managers unwittingly spend too much time on things that don't matter. Exceptional opportunities are missed, while mismatched, unwanted products seem to linger inexplicably in the marketplace.

The source of these troubles is not your lack of ability, nor is it your company's gross oversight. Individuals and companies struggle with Product Management because there has not yet been a codified body of knowledge available to the Product Management practitioner. Universities teach core business functions, and you should not underestimate the value of a solid business foundation. Every business discipline has its place, including a unique library of excellent books that make for a formidable education. Everyone should build that foundation because it provides a list of *what* to do. Absent from the curriculum, however, is an overall framework or “anatomical structure” to look at Product Management holistically—and there is no holistic framework within which to manage and grow your career.

A GRAY'S ANATOMY OF BUSINESS

I have written this book to remedy that situation and help transform a largely accidental profession into a successful, productive, and recognized discipline. There is a standard body of knowledge for Product Management, including a strong, holistic viewpoint of profession and career, along with a set of specific,

learnable skills. My passionate goal—which this book reflects—is to provide that body of knowledge and, in the process, transform Product Management from an artificial, poorly defined slot in an organizational chart into its true and correct role: the pivot point for successful enterprise.

Think of this book as a *Gray's Anatomy* of business—a three-dimensional, in situ picture of how everything works when it's running right. Like the human body, business is a dynamic, living entity. It consists of overlapping, interlocking systems and functions that influence each other in very complex ways. Business generally responds slowly to corrective action and doesn't always respond predictably or consistently. Relationships between the players and the pieces are dynamic and situational, influenced by a fluid array of team decisions that address constantly changing circumstances. Business is not exactly a web, a mind-map, a flowchart, or a notebook full of checklists.

This is a reference written from the practitioner's perspective, for practitioners. Anchored by a standardized Product Management Life Cycle Model, this business "anatomy" book explains in detail:

- How to choose and justify which products to build
- How to plan for their profitable creation and deployment
- How to develop and launch them
- How to manage them once they enter the market
- How and when to gracefully retire them and replace them with new products
- How to use product portfolio management techniques to efficiently allocate investments across all of the products in an organization

To sum up, this book is designed to help you take the right actions, done the right way, at the right stage of the product's life cycle.

Along with these critical activities, a detailed primer on many of the fundamental business skills is provided to execute these methods successfully. Rounding out the collection is a broad range of best practices and examples, coordinated with a large library of templates throughout the chapters and in the toolbox in the back of the book.

Like a physician's handbook, this book is structured for dual use, as both a ready reference for decision making and for sequential self-education. Like doctors, product managers benefit greatly from a handy reference library of protocols that can be skillfully applied to various levels of risk. Considered as a holistic discipline, however, the art of Product Management has four fundamental pillars or "knowings" you must develop:

- Knowing where you are. To proceed productively, you must be able to answer the question, "Where am I now?" As a product manager, you

need to assess your current career situation as well as the situation with your product. All journeys have a starting point.

- Knowing where you want to go and knowing how to compare your vision to your current environment. You must be visionary or at least learn how to cultivate and sustain a vision for what your product will bring to the marketplace. How far away is the vision? What needs to change? How should I react to the pressures of an environment that is pushing me to take some path that does not lead to my vision?
- Knowing how to get to where you want to be. You must have a large repertoire of processes, practices, and documents (i.e., know how) that you know *when* to dynamically apply to situations you've never seen before, but whose shadows you recognize through experience.
- Knowing how to use these skills with a centered, settled, quiet confidence in your ability to reach the right goals, predictably and repeatedly.

Studied sequentially, *The Product Manager's Desk Reference* is intended to help you to cultivate these four pillars incrementally. Within this framework, Product Management can be relatively straightforward and much *more* predictable.

HOW YOU SHOULD USE THIS BOOK

The material contained herein makes it *easier* to choose correct responses and make decisions, with much greater accuracy and effectiveness than simply “winging it.” Ultimately, the situations you encounter may vary widely from one hour to the next. How you read this book really depends on your own experience. Read from cover to cover, it gives a good general orientation to Product Management. But also, based on your particular needs, you can:

- Use this book as a reference or “toolkit” to deal with specific situations for your product.
- Use it as a method to map your progression through your Product Management career.
- Use it as a way to link the “what you do” with the work that has to get done in each specific phase of the Product Management Life Cycle Model.
- Use it as a cross-reference to link practices to documents.
- Use it as a glossary of common terms so that everyone on your team speaks the same language.

Use it as all of these, and more. With a clear head and the right tools, it's possible to associate real causes with real effects so that you manipulate the *right* causes to gain the *desired* effects.

One of the key goals of this book is your growth and development as a product manager. In order to facilitate that growth, I have provided material at the end of most of the chapters, describing work you can do and experiences you can seek that will improve your knowledge, skills, and professional effectiveness. These are listed under the heading "Raising Your Product Management Experience Quotient (PMEQ)." These suggestions, keyed to the chapter contents, may be helpful in advancing your understanding or gaining an "edge" in your Product Management career.

DRAWN FROM EXTENSIVE BENCHMARKING AND EXPERIENCE

When I was getting my MBA, I used to get frustrated because the professors were preaching, not teaching. Distorted, low-probability case studies supported out-of-context views. Individual components of good product strategy, such as positioning, were touted as the single key to great results. I already had some business experience and was actively working at the time, so it was clear to me that there was plenty of data but very little relevant information.

I pictured myself in an entrepreneurial setting, managing my own business. I often said to myself, "If it were my money, what would I do?" As I moved forward in my career, the vision of a predictable set of methods was never far from my mind. Every time I solved a problem, the solution was captured in my private little notebook in my mind. Some of these are reflected in interesting stories I'll share with you as you read the book.

The Product Management Anatomy

Beyond a simple body of protocols, Product Management should be afforded an independent identity, similar to Accounting or Marketing. I strive to create that identity by offering a body of standardized knowledge that positions Product Management as an essential element of the organization's structure.

Many modern companies view Product Management in the same light that our ancestors viewed the practice of medicine. Think of Galen, the Greek physician who essentially organized modern medicine around 2,000 years ago. His story serves as a powerful example of what can be accomplished with an unswerving combination of passion and professionalism.

Galen was very much ahead of his time, successfully performing brain surgery and removing cataracts, feats unduplicated by medical practitioners

until the twentieth century. His prodigious success seems to indicate exceptional natural ability, but by his own admission, he was an ordinary man who simply had an extraordinary passion for his profession. He did do one thing, however, that most of his contemporaries failed to do: he took good notes.

When Galen found something that worked, he finessed it until he understood it, and then wrote it down and added it to his protocol library. He recorded everything and anything he learned, and organized it into repeatable diagnoses, treatments, and standardized methods. His studies were so intense that he reportedly kept 20 or 30 scribes extremely busy while he worked. His knowledge of preparing medicines was so advanced that the Galenic Formulary is still a bastion of modern pharmacy.

Of course, even with this broad collection of protocols, modern medicine is hardly a checklist-driven activity. Doctors use protocol mainly to quickly eliminate the predictable from the diagnostic process, leaving the mind free to focus on new and as-yet-unsolved problems. As with medicine, the practice of entrepreneurship is not 100 percent predictable, either. Like the physician, the product manager is primarily tasked with choosing the correct response to rapidly changing, complicated conditions or, in the best circumstances, anticipating and leading change.

Also like the physician, the product manager can proactively drive more predictable, positive, and repeatable results with a set of protocols that provide a standard response for at least *some* situations. This doesn't imply that there is a process for every activity or a pat answer to every problem. Business, like life, is at its core about response-ability, and the brain of this living system called "business"—or, at least, the creative side of the brain—is the product manager. However, the better you are able to recognize patterns and address them with validated methods, the more mindshare you can apply to unpredictable situations, and thus the better the business results, period.

A Career in Progress

Someone once said that if you don't know where you're going, you'll probably end up somewhere else. *Product manager* was nowhere on my list of career ideas. As a solid business generalist with strong leanings toward finance, operations, and marketing—an undergraduate degree in management science, a minor in organizational behavior, and an MBA in corporate finance—I had a host of jobs:

- I was a management trainee for a wholesale plumbing supply company, learning every job in the house. From picking pipe-fittings and selling toilets to sizing boilers and doing the books, I did it all.

- I was a cost analyst for a defense contractor, learning project management from the ground up, because that's what you do when your company works for the government.
- I worked as a budget manager for a women's clothing manufacturer, discovering ways to deal with suppliers, offshore manufacturing, and the quirks of a fast-moving fashion-oriented business.
- I joined finance and operations at a medical device manufacturer, soaking up manufacturing techniques, medical science, distribution management, reporting, Product Management, supply chain management, marketing, and a lot of other things.

None of these jobs, though interesting, made my list of jobs I'd like to have as my life's work. I didn't have a strategic direction; I didn't have a career coach; I didn't have a clue.

Eventually, I went to work at AT&T Bell Laboratories in business operations and finance. About three years into my career there, I encountered an unusual opportunity. Slated for a double promotion, my second-level boss asked me what I wanted to do. After more than a decade of work experience, there's nothing like finally hearing the question, "What do you want to do when you grow up?" I gave something of a vague answer, explaining that one day I wanted to be a general manager of a division of a larger company. Her concise, immediate response shocked me: "Oh. You want to be a product manager." That sounded too much like marketing, so I deferred. In spite of my skittishness, she insisted it was the right thing to do, so I enrolled in a week-long workshop, and that was that: I was hooked. Product Management really did turn out to be everything I ever wanted.

Not that it was easy. Instantly, I became a product manager, taking over the Japanese version of a "made for U.S." office telephone system. There were many problems, but the biggest one was my lack of product knowledge. My bosses expected that I would rapidly get up to speed, get to know all the players, learn the technology, and discover many other things that I didn't even know existed. I entered the job as a senior manager, when a lower-level job, with closer guidance, would have been more appropriate.

Someone else once said, "You haven't failed if you learned something new." Aside from my suspicion that the person who said that never tried anything big, I did learn a lot:

- To be a product manager, you have to start near the bottom, just like an apprentice serves under a master carpenter. No matter how much you think you know about business, you need to get the basics down, including products, people, systems, and methods.

- You can't learn, even at the bottom of the ladder, if you don't have coaching and mentoring. The smartest move I made as a product manager was reaching out to people and asking for help, and I asked a *lot*.
- Companies need a formal structure for professional development of product managers, modeled after their leadership development programs for high-potential employees, but few have them.

My next Product Management job was difficult for other reasons. I had a new boss who knew profit and loss but didn't understand Product Management. The result was a thankless cycle of doing what I thought was right, circumventing instructions and then secretly finding ways to fix business and customer problems. It wasn't quite as bad as being without a paddle, but because I had to come up with my own methods, it felt a lot like guiding an unbalanced canoe upstream in a drenching storm. Sooner or later, I worried, I would capsize, and then I'd have to swim for it—unless I put everything I had into getting things done.

As a matter of fact, an officemate once asked, "How do you know what to do?" I replied, "I just do what needs to get done."

In the end, though, I not only managed to keep the boat upright, I even garnered a "far exceeds" rating, luckily based on the results, not how I got there:

- I delivered a product on time, earning \$5 million in revenue at a net profit of 50 percent.
- My solution had a compelling value proposition, filling a previously unmet need for a clearly identified market.
- Most of all, though, I used lessons learned from falling on my face many times over the years, because my commonsense approach often challenged conventional wisdom.

Considering my first *real* taste of product leadership, it was obvious that, while the school of hard knocks hadn't necessarily been kind to me, at least it had been talkative, and I had somehow managed to take a pretty good set of notes.

SEPARATING THE BEST FROM THE REST

Later on, and for five years, while still working at AT&T, I was assigned to a Product Management excellence task force. It was chartered to learn about the practices, processes, and methods used to produce successful products. Via practical research, we were to investigate how different companies in

different industries carried out strategic planning, product planning, product development, and introduction; how they managed existing products; and how they managed portfolios of products.

With Bell Laboratories on our badges, we had an internationally recognized stature that opened doors. Thirty-six companies were benchmarked over a five-year period. The interviews were qualitative, based on Product Management practices used across the entire life cycle. We really wanted to find out what companies did to create and manage successful products, product lines, and portfolios. Each company in the research pool agreed to several days of presentations, tours, and interviews. Many of those firms agreed to follow-up visits and updates so that we could track their progress. The interviews were informative, exhaustive, and eye opening. As we worked through the responses, we started to see patterns that correlated specific activities with product success. Success was never guaranteed, but companies who applied certain methods were more likely to have successful products.

Here are some of the patterns discovered during this benchmarking investigation:

- Product and market success in these companies is linked to a keen focus on carefully chosen markets. In some cases, this focus may be obsessive. (Companies that focus on the marketplace tend to have a better chance of gaining an outside-in view of the world. This helps them recognize the needs of unique segments and important trends that influence product and marketing strategies.)
- Management *clearly* communicates its overarching strategic intent up and down the organization. This contributes to a reduction in organizational ambiguity and, most importantly, better alignment of product portfolio and product line investment decisions.
- These companies consistently use standardized product platforms. Organizations that use platforming as a part of their strategies benefit from improved economies of scale from reuse of common architectures, technologies and even components.
- Regular rationalization of product portfolios contributes toward more efficient allocation of investments to the most appropriate, strategically important product lines. Significant go/no-go project investments are made at the divisional or corporate leadership team levels based on portfolio strategies.
- Organization around products, not projects, using empowered, cross-functional product teams to run “mini-businesses” inside of these larger enterprises. When these teams are in place longer, they tend to perform better and achieve better results than teams that are

more transient. In the best performing teams, Marketing is always seen as a strong member. Furthermore, teams, not processes, are the glue that holds these organizations together.

- Most companies assign primary product or product line profit-and-loss accountability to the product teams.
- Almost all firms have some kind of phase-gate New Product Development (NPD) process *to make decisions* for product projects. As their experience grows, they adapt it based on the type of project and the market conditions driving the project. (As a side note, those firms that use the NPD process to manage project workflows tend to have less successful products, stemming from their “checklist” culture.)
- Funding for unplanned product opportunities is not made from annual budget money, but from a separate funding pool, and is vetted using the NPD process with funding and business justifications made using Business Cases.
- Success is linked to strong product team leaders and team members who respect one another. They have clear roles and responsibilities underscored by the consistent use of a common business language for processes and documents. Furthermore, these companies hold these product teams accountable for the achievement of business results using a small, manageable number of business metrics controllable by the team, not by individual functions.
- In terms of market focus, these organizations have a formal, centralized industry and competitive intelligence function.
- These organizations publish summaries or abstracts of select industry or competitive activity to interested internal subscribers.
- They create forums for information sharing. Product groups or marketing groups gather from time to time, either at lunch sessions, all-hands meetings, or the like, and present market updates or reviews so that everyone knows what’s going on.
- They make the competition the main enemy, which tends to reduce internal conflict and draw teams together.
- They make market and financial data available to the Product Management and Marketing communities.
- They maintain communities of practice for product managers and marketers.
- Customer knowledge goes hand in hand with market focus. Connection to key customers is critical, not only from Sales but also from Product Management, Marketing, and Development.

- These companies use anthropological and ethnographic (live contacts with customers) techniques to understand customers' businesses.
- Chartered, involved executive leadership teams form governance councils or equivalent groups to guide the processes, methods, and tools used by product managers. They also have formal programs to recruit, select, and progress product managers.

Within these best-in-class companies, organizational structures typically have product managers reporting to the marketing department. Over the years, at the start of every one of my workshops, our facilitators ask, "Where do you report?" At this point, the majority of people indicate that they report to Marketing. The exception is in the software and technology sector, where product managers report to Product Development. However, a shift has taken place. A number of firms have established the senior leadership role of chief product officer (CPO). The ranks of CPOs continue to swell. In a number of firms, CPOs have a "seat at the table," meaning they are "C-level" leaders with the associated authority and stature of others in the C-suite.

The material you will encounter in this book has been fortified based on thousands of new data points. My firm continues to gather data on corporate and employee performance from our corporate diagnostics, assessments, and audits. These serve to reinforce the "best-in-class" norms against which leaders may be guided. Our Product Management Executive Board or PMEB (www.pmexecboard.com) conducts this research and provides a vibrant community of practice for senior Product Management executives. The PMEB has become a reliable go-to resource for senior product leaders from around the world.

SAFE JOURNEYS

Many years after my initial successes, I was explaining the situation to my daughter. She sagely observed, "Well, you didn't have a you." Precisely—I didn't have a "me," someone who had navigated the uncharted, rocky shoals of Product Management and survived, newly scrawled map in hand. It took a few more years for me to realize that I needed to share my discoveries, but eventually, I began to show others how to navigate this (sometimes treacherous) passage at the core of business and entrepreneurship. And now, I would like to do the same for you.

As a product manager, you are the quarterback, and on every single play there are dozens of variables to consider: field conditions, defensive formations, distance from the goal line, and so on. In your repertoire, there is a virtual mountain of information, from the playbook to scouting reports to

last-minute instructions from the coach. Considering all these things, though, the final score and the ultimate result depend largely on your individual vision, competencies, and experience. If you have the right tools, correct information, and an appreciation for excellent workmanship, you can achieve superior results. And in the process, you can transform an unclear job assignment into a highly visible, well-respected career. The *caveat* is that it requires a long-term commitment.

Like Ulysses, if you burn your ships behind you (but not your bridges) and dedicate yourself to success as a product manager, it's amazing how quickly you can develop the magic touch. So if you are dedicated to success, here begins your work toward becoming a virtuoso of Product Management. Once again, welcome to the accidental profession. Here's wishing you fulfilling, productive, profitable journeys.

1 MODULE

FOUNDATIONS OF PRODUCT MANAGEMENT

INTRODUCTION TO MODULE 1

Most people live in a house of some kind. Every house has a foundation and a set of systems that sustain it, creating an environment in which people can comfortably live. Product Management, as you will learn, is not a job title or something that other people do. It's an element of a company's entire business model. In order to build the "house" of Product Management, a solid foundation is needed, as well as a working knowledge of the integrated systems that support Product Management. Therefore, Module 1 is about building this foundation.

Whether you are a new product manager, an experienced product manager, a product portfolio leader, or someone considering a career in Product Management, the topics covered in this module will give you a strong appreciation for what you need to know about Product Management. Furthermore, by fully grasping the importance of these foundational elements, people who perform other business functions will gain an important appreciation for the role of the product manager, and how each person can support the product and the product manager. After all,

as you'll learn, everyone ultimately shares responsibility for the success of the product. Here's a quick synopsis of the chapters included in this module:

Chapter 1—What Is Product Management? describes Product Management by breaking down the expression *Product Management* into its two basic components, namely *products* and *management*. The two pieces are then rejoined to provide you with a view of the value of Product Management in an organization. Furthermore, the chapter helps you understand the vital role played by the product manager in the organization.

Chapter 2—The Product Master Plan gives you the wherewithal to create your official plan of record for the product. This “binder” serves as a repository for all product documentation, a communication vehicle, and a learning mechanism for all members of a cross-functional product team. The Product Master Plan keeps everyone on the same page.

Chapter 3—Leadership: Creating Influence provides you with the context for understanding the human dimension of your job. Most product managers don't have people from other business functions reporting to them. However, product managers are responsible for the success of their products. This chapter explores the people side of Product Management and provides helpful ideas to create a collaborative working environment—one in which all functional contributions can be successfully melded together, guided by the “vision” of the product manager in the creation and management of successful products.

Chapter 4—Cross-Functional Product Teams: Getting Things Done picks up cues from the previous chapter, and melds them into the primary work structure used to plan and carry out the work of the product as a business. First, it draws the distinction between a product team and a project team. Then, it provides you with the mechanics involved in clarifying roles and responsibilities so that the right team members get the work done. In the end, the cross-functional product team is the “board of directors” for the product and is accountable for optimizing the product's performance in the market.

Chapter 5—Decision Making: What's Next? The theme “what's next” appears many times throughout this book because it's exactly what product managers face every day. Across a product's life cycle, the product manager will be faced with situations arising day by day and hour by hour that require the assimilation of data, analytics, thought, and an action, namely, a decision. This chapter focuses on the product

manager's challenge of assessing these situations and making the best decision possible on behalf of the product, the product team, and the company.

Chapter 6—Finance for the Product Manager: Keeping Score is the last chapter that rounds out the foundational areas upon which product managers must rely to plan and run their businesses. You won't get an MBA in finance here, but you'll get a solid dose of financial terminology. You will also learn the financial tools and methods used to plan and manage products across the life cycle.

With this in mind, let's start building the foundation!

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1

CHAPTER

WHAT IS PRODUCT MANAGEMENT?

Executive Summary

- Product Management is the “holistic business management of the product” from the time it is conceived as an idea to the time it is discontinued and withdrawn from the market.
- Product Managers play a central role in Product Management. They are business managers. With the mindset of a general manager or a “mini-CEO” for the product’s business, they lead a cross-functional team to achieve the product’s strategic intent.
- Organizations can achieve greater levels of efficiency if everyone uses a common vocabulary when referring to practices, processes, and documents.

The Introduction states that Product Management is the pivot point of successful business. However, the role of Product Management as a functional discipline in a company is poorly understood, and its associated practices are inconsistently applied. Before offering a remedy for this situation, it’s necessary to explain precisely what I mean by Product Management. First, I will break down each of these words, *Product* and *Management*, and analyze their meaning. Then, I will define Product Management from a holistic perspective.

You will master the “how” much more quickly when you comprehend the overall context of the discipline of Product Management. Just like the assembly–disassembly demonstrations that apprentice mechanics are shown before learning to repair an engine, this chapter offers a rapid, break-down-and-reassemble orientation to Product Management. If you’re using this book for sequential study, your grasp of the material will be deeper if you understand the foundational concepts covered.

Four questions must be answered to completely define Product Management:

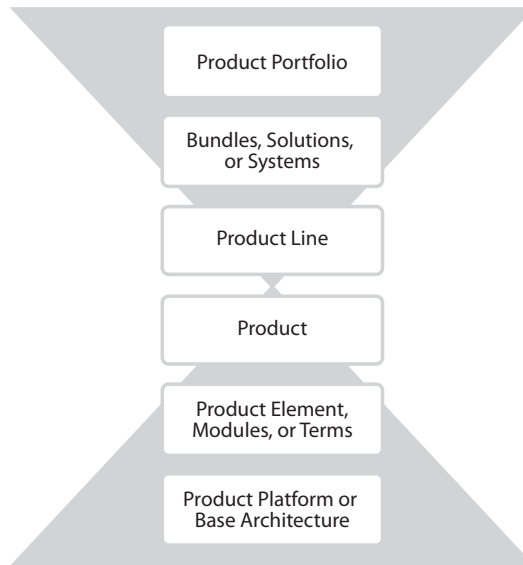
1. What is a product?
2. What is management?
3. What is Product Management?
4. How does Product Management work to transform a business?

In this chapter, each of these questions will be explored in turn.

QUESTION 1: WHAT IS A PRODUCT?

In the *PDMA Handbook of New Product Development* (2nd ed., Wiley), the glossary contains the following definition for *Product*: “A term used to describe all goods, services, and knowledge sold. Products are bundles of attributes (features, functions, benefits, and uses) and can either be tangible, as in the case of physical goods; intangible as in the case of those associated with service benefits; or can be a combination of the two.” Webster’s online dictionary indicates, “A product is something that is produced.”

These definitions are a good start, but there is much more to the story. Within a business context, a product is not always a single, stand-alone item; instead, within most companies, there is a hierarchy of products and services. A product may be part of another product or product line, packaged with a group of products, or offered as a solution or system to meet broad sets of customer needs. Products and product lines are usually part of a larger product portfolio—either in a single firm, in a business unit, or in a division of a larger company. Alternatively, products can be broken down into product elements, modules, or terms (as in a credit card). Products may be built upon product platforms or product architectures. In order to visualize this hierarchy, consider the model shown in Figure 1.1.

FIGURE 1.1**Typical Hierarchy of Products and Services**

In the business sense, then, we need a workable definition of the word *product*: a product is anything that is sold, tangible or intangible. Businesses can create products to sell to other businesses (business-to-business, or B2B) or to consumers (business-to-consumer, or B2C). Businesses can also sell products to other businesses that then sell to consumers (business-to-business-to-consumer, or B2B2C). Some of these products are merely resold to end customers, while others are sold as parts of products.

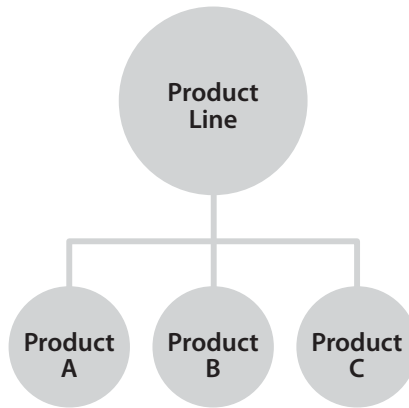
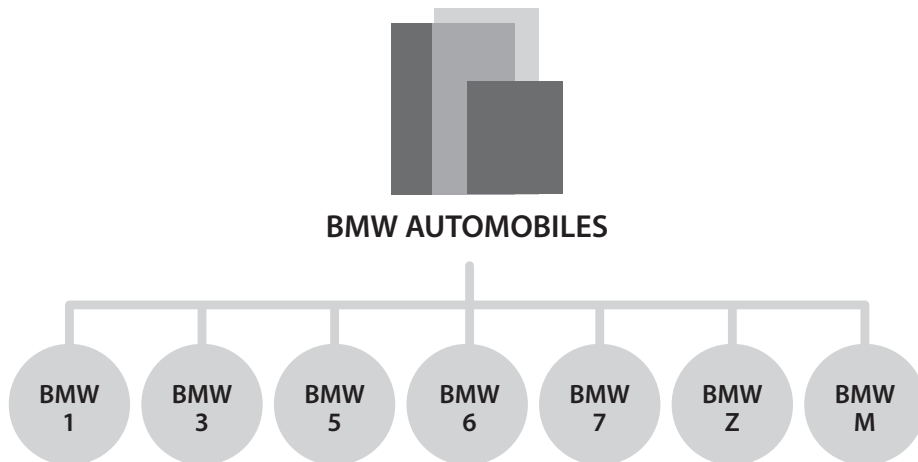
Think of how an automobile parts manufacturer sells parts to an automobile company. The auto company is like an assembly business; in most cases, it doesn't even manufacture any of the parts. Auto companies sell to dealers (other businesses), who ultimately sell to consumers or other businesses.

Product Lines

Frequently, companies collect a number of related products into *product lines*. Very few companies carry isolated, one-off products. A product line, depicted in Figure 1.2, is a grouping of products geared toward similar markets or solving a particular type of customer problem. Typically,

FIGURE 1.2

Product Line Hierarchy

**FIGURE 1.3**BMW Automobile Product Lines (source: www.bmw.com)

products within a line serve similar markets or can be produced via similar methods. In effect, a product line is a small product portfolio. For example, BMW Group has several different automobile product lines: The Mini brand, the Rolls-Royce brand, and the BMW automobile brand. The BMW Automobile Division has several cars in its product line. These product lines are depicted in Figure 1.3.

Product Portfolios

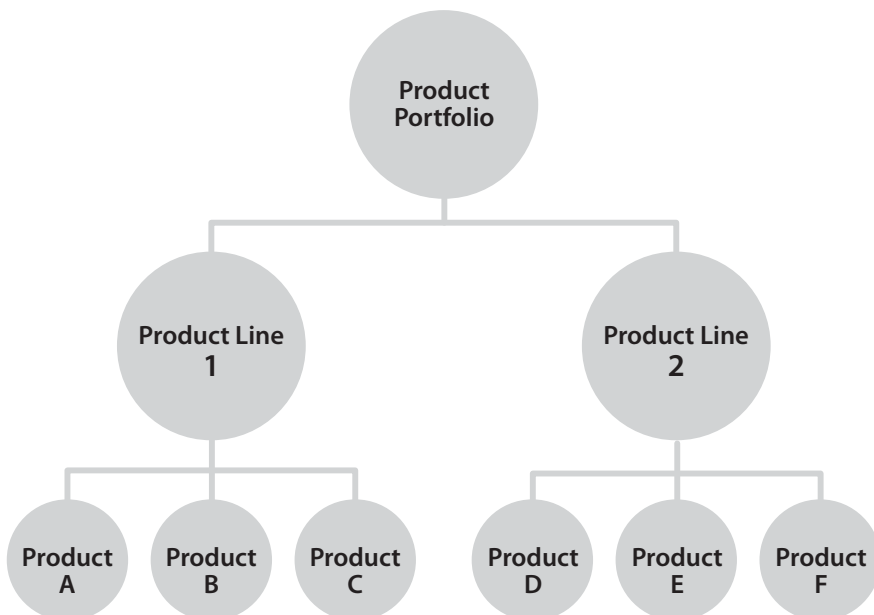
A product portfolio is the set of all products, product lines, or other groupings within a business unit or business division. Portfolios can include existing products, which may be at various phases of their own life cycles, as well as incoming products (those anticipated, actually in development, or in the launch phases). In smaller organizations, a single product or product line may in fact comprise the entire portfolio. A visual example of this type of product portfolio is shown in Figure 1.4.

In most firms, several products and product lines are grouped together to make up a product portfolio. Common approaches to organizing product portfolios include the following:

1. *The markets on which the products focus.* For example, a medical device firm may group a set of product lines—hearing aids, reading glasses, and motorized wheelchairs—into a “seniors” portfolio.
2. *Types of products produced.* In this case, a toy company might have a bicycle portfolio made up of three lines: tricycles, mountain bikes, and BMX bikes.

FIGURE 1.4

General Product Portfolio Structure



3. *Broad functional themes.* This structure is used by many technology firms that want to create tight linkages across the organization to minimize duplication and encourage collaboration. For example, a firm could be organized into three main areas: hardware, software, and professional services.
4. *Types of materials or development methods used.* An example of this organizational approach could be a cookware company that divides its product lines according to the type of metal used: cast iron, copper, and aluminum.

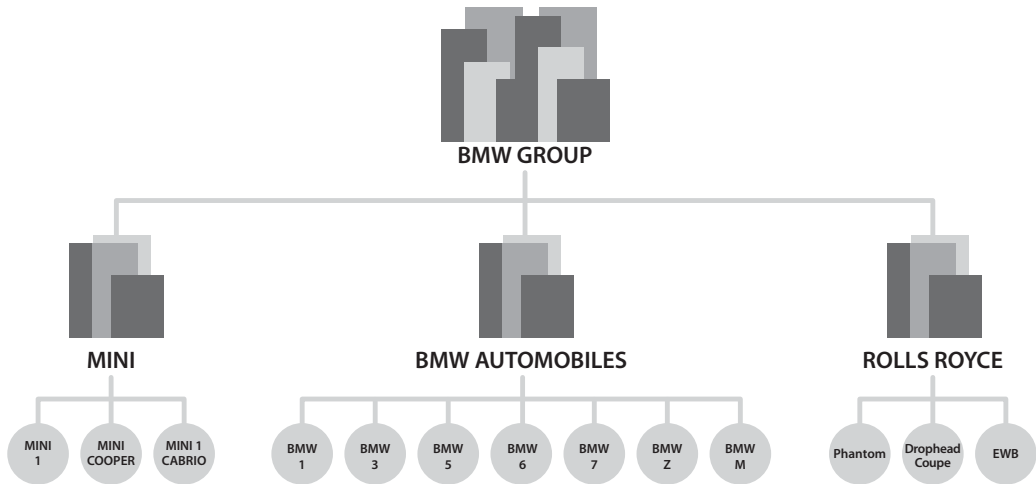
The choice of organizing principle for a product portfolio will vary widely from company to company. In some instances, one product line may be assigned to two different portfolios at the same time. For example, a major computer equipment vendor has a secure server product that sits both in the security portfolio and the multiprocessor computing portfolio. Ideally, this would not be the case, but in some instances this kind of dual assignment makes sense.

Product portfolio management and the related activities of portfolio optimization and balance are an important part of the strategic planning and strategic management of an organization, whether that organization is a company, business unit, division, or product line. The topic of product portfolio management is covered in more detail in Chapter 21.

Extending the previous example, Figure 1.5 shows BMW Group's portfolio of automobile lines. BMW Group also has a financial services division, a motorcycle division, and a retail division. All of those divisions comprise the entire BMW Group portfolio.

Solutions, Bundles, and Systems

Related products and services will sometimes be grouped into solutions, bundles, or systems. The word *solution* seems to be used more frequently in the B2B arena. Solutions are fairly intricate because they solve complex problems, often have a high degree of integration, and usually require customization for a specific customer type or industry application. An organization that focuses on solutions should be structured to support solutions-based sales, marketing, delivery, and postdeployment services.

FIGURE 1.5**BMW Group Automobile Portfolio**

Companies that effectively organize for a solutions or systems business may utilize a solutions marketing group or even a professional services unit. These people can stay “close to the market” or be intimately involved with a particular customer. Optimally, this enables the discovery of opportunities that bring together the needed products, technologies, and services, whether sourced internally or externally. There is typically a large consultative aspect of every solution sale.

The term *solution* is sometimes used inappropriately. In principle, *every product should be a solution to some problem*. If you assume that every product is really a benefit-filled solution, then every company is really in the solutions business. However, in reality, grouping products together when they don’t solve a customer’s problem from start to finish is merely the act of *bundling*. If a company wishes to sell a bundled solution, customers will eventually discover a weakness in one or more of the components and look for another way to solve their problems. There is a quick and easy way to determine whether a given solution is actually a bundle. In a B2B setting, if purchasing agents can pick the offer apart to shop the individual components, it is a bundle.

Bundling can, at times, represent an appropriate strategy, but bundles held out to be complete, seamless solutions might create excess

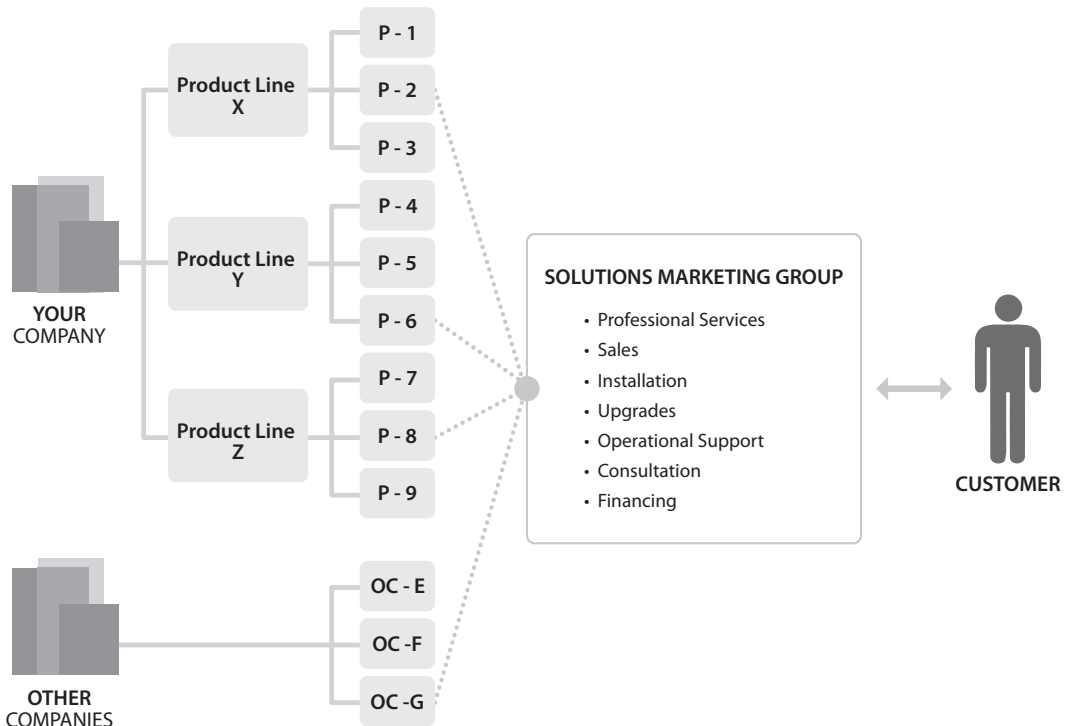
overhead for the organization. Companies should avoid adding overhead with a solution that doesn't increase profit or add value for the customer. Bundles do not generally contribute much to product profitability, so they may be more trouble than they are worth.

Figure 1.6 provides a conceptual snapshot of a solution in a B2B environment. In this case, several internal product lines and a product from an external company are assembled, to which value-added programs are supplied, such as consulting and operational support. The package adds value for customers because it offers the full range of problem resolution, including diagnosis, solution recommendations, implementation, and integration. The components of this solution cannot be shopped separately, so it is a genuine solution.

Here's an example of how a real solution might come about. IBM sells solutions. It brings products and services together, both from its

FIGURE 1.6

How Solutions Are Structured



own divisions and other partners. IBM and its partners believe that there is tremendous added value to customers if it is *the* single face the customer sees, offering both diagnostics and problem solving.

Now, suppose a company makes medical devices and its customers are complaining of delayed shipments, damaged goods, and incorrectly labeled parts. This is costing time, money, and reputation. IBM has a consultative session with the stakeholders and executes a process discovery that reveals the company has a supply chain problem. It can be addressed with some physical products (from Cisco), some software (from Oracle), and some services from IBM Consulting. IBM offers to be the single point of contact for complete business analysis, customization, implementation, testing, turn-up, and postsales support. Because the medical device company doesn't have the people resources to analyze and fix complex problems like this, and they can't easily purchase this combination of products and expertise as separate line items, they purchase the solution.

Product Elements and Modules

Another key distinction in the definition of products is the idea of product elements or modules. For tangible products, these are product components that may be treated as "black boxes" inside the product. For example, if an appliance company buys electric motors from another firm in order to manufacture appliances, then the motor is a product element. If the motor is mounted in a larger housing with a wiring harness, then that could be called a "power module" or some equivalent expression indicating that it is a subassembly as a part of the product.

If another division supplies a product with a complex part at a suitable price, it may not be worthwhile to break down the part into individual components. For example, when developing software, modules of the code could be sourced elsewhere and then linked together later. There are also *intangible* modules, which might include features or terms. A bank's credit card line, for instance, may treat features, terms, or conditions as product elements. Whatever these modules, elements, or subassemblies are, they are building blocks of a product that may require individual Product Management oversight of their definition, design, and integration with a larger product or solution.

Platforms

The last piece of the product puzzle that needs to be defined is the product platform. The platform represents the underlying foundations, technology frameworks, base architectures, and interfaces upon which products are built. The platform provides commonality so that a higher degree of standardization can be achieved across a portfolio. This standardization contributes to larger economies of scale and greater flexibility in designing and styling products, so that the company can meet the needs of different market segments or customers.

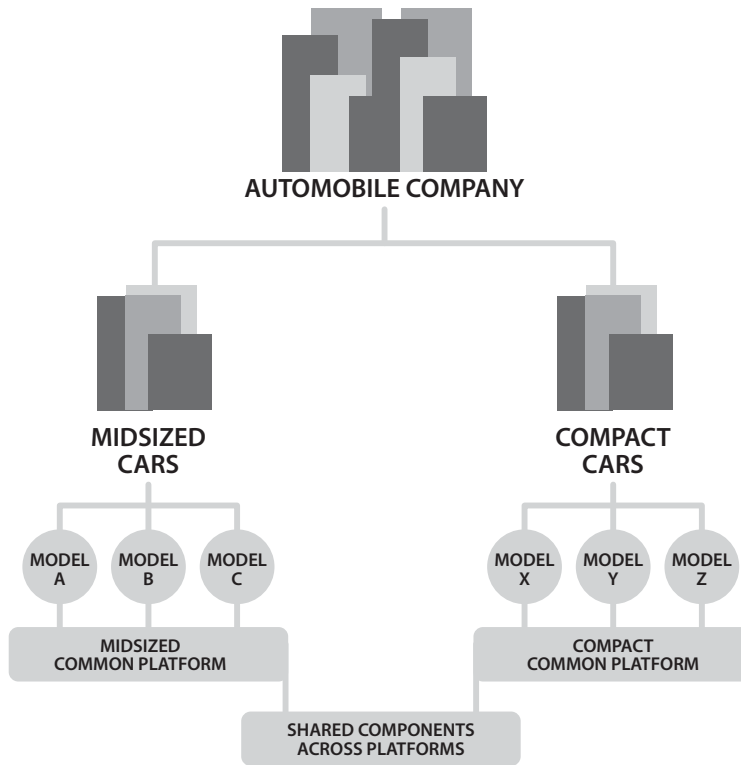
As an avid automobile enthusiast, I often read about automobile companies to learn about the evolution of their models, designs, shared components, and platforms. Over the past few years, either because of competitive necessity, design flexibility, or needed scale economies, many automakers have embraced the platform concept. They are now rationalizing their platforms in search of greater efficiency as they expand globally. The degree to which firms share parts and other product elements or modules across their platforms is phenomenal (e.g., motors for electric windows, speedometers, and other components). In a recent article, one of the major automakers stated that it would reduce its number of global platforms by 50 percent within a few years. This type of platform rationalization will cultivate solid product foundations that can be designed for local markets or to suit local tastes. Figure 1.7 is a visual representation of this concept.

In *The Power of Product Platforms*, Marc Meyer and Alvin Lehnerd state: “Product platforms must be managed. If a platform is not rejuvenated, its derivative products will become *dated* and will fail customers in terms of function and value. If a company’s platforms are renewed periodically . . . redesigned to incorporate new functions, components, and materials, the product family will remain robust through successive generations.” They go on to say, “Robust product platforms do not happen by accident. They are the result of a unique methodology and of strategies for designing, developing, and revitalizing them over time.”

Platform usage can be problematic for some large companies that have grown through mergers and acquisitions. Issues can arise when platforms are so complex (and old) that they are difficult to merge into a unified platform. Large banks, for example, may have many different platforms for processing credit card transactions or for managing deposits. If you contact a large banking company’s call center, you may be asked about the state or region in which you live, so they know which

FIGURE 1.7

Platform Visualization Within the Product Portfolio



system to access. In one of my corporate jobs, we visited a wireless communications company that had gone through many mergers. Management was distraught because it had five different billing systems, and the bill-consolidating mechanism was “dropping” about 30 percent of the billing records, causing the company to lose millions of dollars in revenue.

QUESTION 2: WHAT IS MANAGEMENT?

Thus far, I’ve focused on products: I defined the different kinds of products and product offshoots, whether they are product lines, product elements and modules, platforms, solutions, or the product portfolio.

The second major part of this discourse on Product Management focuses on the art of management itself. The word *management* derives

from Latin: *manu agere*, or “to lead by the hand.” In most books about management, definitions generally include the usual cycle of business elements:

- Setting goals
- Directing human and financial resources
- Assessing outcomes
- Reassessing and/or resetting goals

I recall a professor from college saying, “managing means getting things done . . . period.” Most business leaders would agree.

In Product Management, the person in charge is the product manager. However, considering the multifaceted definition of *product* established earlier, it is not safe to assume a one-to-one relationship between product and product manager. While that model may hold true at some organizations, a product manager can be partly or wholly responsible for all or part of a product platform or architecture, a module or series of modules, a single product, a product line (a small product portfolio), or several product lines (a larger portfolio).

What Is a Product Manager?

- The product manager is a business manager, appointed to be a proactive product or product line “mini-CEO,” business leader, or general manager.
- The product manager leads a cross-functional product team.
- The product team’s responsibility is to optimize the product’s market position and financial returns, consistent with corporate, business unit, or division strategies.

What Does a Product Manager Really Do?

It is an accepted principle that product managers bear responsibility for everything under their purview (e.g., the range of operation, authority, control, or concern). This is an awesome level of responsibility and assumes the product manager has a number of distinct competencies. Although these competencies cannot be perfectly honed down to a finite number of abilities and expectations, there are some specific practices

(things you need to do) that, when done well, will not only get your job done properly but also earn you credibility and enhance your stature—and contribute greatly to your success as a business leader. These practices include:

- *Integrating and synchronizing.* Across the life cycle, the work output of many people performing a wide range of functions must be orchestrated to achieve a common goal (e.g., the completion of a new product, the upgrade of a current product, or any initiative to improve the product's business or market performance). In order to deliver results and positive outcomes, product managers must be able to see the big picture; they must also be able to “connect the dots” among all aspects of the product's business.
- *Leading and influencing.* There is a distinct difference between managing and leading. Managing implies explicit authority over individuals. Leadership, on the other hand, means you must convince those individuals to follow your vision.
- *Cross-functional teaming.* Product managers cannot have their eyes on everything about the product that's important. Thus they need the help of many people, including those who bring specialized expertise from diverse areas and functions. Utilizing these skills and perspectives is critical to the product's success. The product manager organizes and leads a cross-functional team composed of people who can perform the tasks necessary to achieve success for the product. In addition to leading the team, the product manager must be able to facilitate discussions and debate, mediate conflict, and nurture a collaborative, “functional” cross-functional team that can ultimately act as the board of directors for the product.
- *Solving problems and making decisions.* Product managers must continually strive to make better decisions in near real time at every point across the product's life cycle. While good decision-making skills can be learned and cultivated, this education comes best from actual practice rather than following advice from textbooks.
- *Financial planning and analysis.* Planning for product profitability and assessing the profitability of existing products is an important dimension of Product Management. Companies invest money in products, and these products are expected to yield a positive return to the business. Product managers should be expected to fulfill the

responsibility of planning for profitability; therefore they need a solid understanding of the financials.

- *Assessing the industry and competition.* One of the jobs of the product manager is to interpret the environment within which the company participates, and where it may operate in the future. Furthermore, the company's products compete with other company's products across that industry landscape. Whether or not there are formal structures within the company that gather and archive this data, it is the product manager's responsibility to assimilate data about the industry and competitive environment. With this insight, a product manager can consider strategies for the product as well as understand how the company allocates investments across the product portfolio.
- *Segmenting markets, identifying target customers, and uncovering customer needs.* Segmentation requires a joint effort that not only involves the cross-functional team but may also include outside research firms. Regardless of what needs to be done, the product manager often takes primary responsibility for directing this activity and keeping it on track. The product manager *must own this activity*, if for no other reason than to prevent bias typically associated with function-driven market research. Bear in mind, however, that customer-oriented market research and segmentation is no substitute for the hard work of discovering customer needs. Sometimes even the customer is unaware of a basic need; in other words, there *is* a "better" way. The product manager must drive this discovery process and own the results.
- *Forecasting.* Forecasting volumes, market share, and revenue is an essential part of the product manager's job. Of all the jobs done in part by other groups, this is *the least likely to be owned elsewhere*. Frequently, a new product manager barely has a foot in the door before someone is asking for projections. The product manager must own this activity from start to finish.
- *Formulating product and marketing strategies.* Establishing a vision for the product and crafting a path to the future rests with the product manager, who receives help from the cross-functional team. The most important responsibility of the product manager is to align the strategies for the product with those of the organization, and to make sure they interlock across the constellation of product portfolio investment possibilities.

- *Leveraging the Product Management Life Cycle Model.* Before explaining the model, it is important to note that the product manager must not only craft the strategy for the product but integrate that strategy such that appropriate systematic planning will support the product's development, launch, and management across its in-market life cycle. The product manager has the primary responsibility for creating and maintaining the various plans, documents, and other records required to give life to a product and keep it healthy. Furthermore, the product manager needs to make sure these plans are put into action. Product managers provide cross-functional oversight as product-related projects are carried out. Finally, product managers provide strategic and tactical management of products that are already in the market in different phases of the product's life cycle. This may include adjusting the levers of the marketing mix, influencing new product plans for enhancements or derivatives, or creating plans for replacement products. The work of the product manager here is to constantly collect and analyze performance data (e.g., market, financial, and operational) in order to identify new opportunities for the business.

Besides these practices, a number of important documents must be owned or heavily influenced by the product manager. These include the Product Strategy, the Business Case, the Launch Plan, the Marketing Plan, and the Product Requirements. These are explained, expanded upon, and exemplified in detail elsewhere within this book.

QUESTION 3: WHAT IS PRODUCT MANAGEMENT?

It is said that Procter & Gamble conceived of Product Management in the 1930s as a way to improve the oversight of its ever-expanding consumer products business. The concept of Product Management and its myriad interpretations has permeated the core of product and service companies around the world. It has long been a challenge for businesses to unify the disparate activities performed by people in different business functions under the umbrella of Product Management.

So what is Product Management? Based on the answers to the first two key questions, *Product Management is the business management of products, product lines, or portfolios, holistically, for maximum value creation, across their life cycles.* Managing products is akin to managing

small businesses within bigger business. Sometimes an organization has one product; sometimes it has several. You will see references to the expression “product as a business” quite often throughout this book.

Now that the business world is moving at warp speed, many companies have arrived at an epiphany. Business leaders are announcing, “We’re reorganizing the firm to focus on Product Management. We’re going to revitalize our Product Management function.” After investigating what these companies are planning to do and why, one thing is clear: they recognize that Product Management offers a way to improve their old style of management. They want to focus on their products as mini-businesses, that is, small businesses within their overall business. In addition, these companies are seeking to collectively manage all the products within a product line or portfolio in the way one might manage a portfolio of investments. There are a variety of drivers for decisions to reorganize, including poor product performance, product duplication in global markets, and even channel conflict. Reform is engendered by problems, and it is usually some business problem or challenge that leads an organization to Product Management as a way forward.

Product Management (big P, big M) is, at its core, a model for a business organization. *This model includes discovering, innovating, strategizing, planning, developing, introducing, managing, and marketing products.* In essence, Product Management alters the genetics of the organization up and down, as well as across business functions. Firms that employ this model generally focus on the market first and then concentrate on either the generalized needs of broad market segments or the explicit needs of target customer types. This kind of outside-in view of the marketplace will increase the likelihood of producing better business results and optimizing the value of the product portfolio. As mentioned earlier, implicit in this view is the fact that the business benefits when products are treated like investments in a portfolio of businesses (products), allowing for a more granular approach to strategic and tactical product planning. With this approach, the products become the building blocks of the organization.

The function of Product Management is not necessarily a linear set of actions and work flows. Rather, it is a dynamic system that depends on the work of various people and many interconnected processes across the lives of many products and portfolios.

(From my book titled *Managing Product Management*)

Does this statement imply that Product Management supports the entire organization? No, not at all. Though Product Management is genetic, it touches and influences all the organic supporting structures—all the business functions. Think of the human body: Product Management is in the genetic material; it's in the skeleton; it's in the circulatory system, the neural network, and, of course, the command and control center (the brain).

All actions of the body work together, holistically, toward a single goal: homeostasis, or balance. Therefore, everyone in the organization is (virtually, if not literally) in Product Management in some way or another, and everyone needs to understand the roles, responsibilities, commitment, and deliverables that make the business (body) work properly.

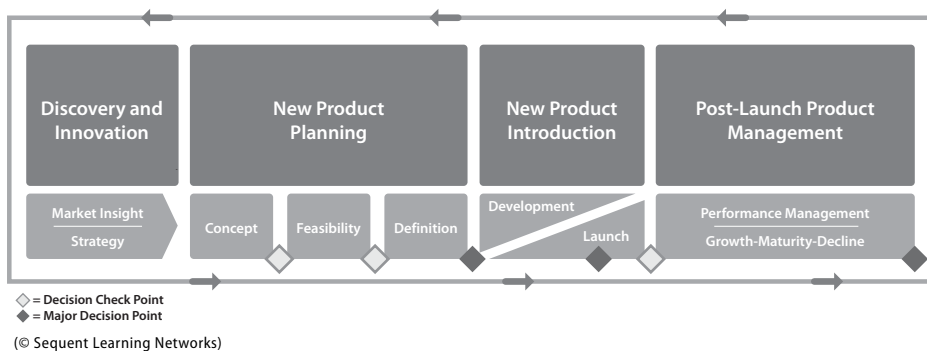
QUESTION 4: HOW DOES PRODUCT MANAGEMENT TRANSFORM A BUSINESS?

Answering the first three questions posed at the start of this chapter has yielded a detailed definition of Product Management. In order to gain a comprehensive understanding of this definition, however, it's necessary to illustrate the way that Product Management transforms good ideas into successful products—and how companies benefit from a well-organized Product Management structure.

The simplest way to achieve this is to use the Product Management Life Cycle Model, shown in Figure 1.8, and the four Areas of Work that help to surface ideas and then bring products from idea to final sale.

FIGURE 1.8

The Product Management Life Cycle Model and Four Main Areas of Work



These four Areas of Work are Discovery and Innovation, New Product Planning, New Product Introduction, and Post-Launch Product Management (PLPM).

Out of necessity, the model is a linear, progressive, and static depiction of something that is actually three-dimensional, recursive, and dynamic—but for most purposes, it's a useful approximation.

Underneath two of the visualized Areas of Work undertaken by product managers (i.e., New Product Planning and New Product Introduction) is a standard phase-gate product development process—or as some refer to it, the NPD (or New Product Development) process. Companies seeking to improve cycle time or time to market have utilized phase-gate processes for decades. Venture capitalists also follow a similar methodology when selecting the best investments to optimize returns to their business. An explanation of this phase-gate process follows later in this chapter, with more details to follow in Module 3.

Discovery and Innovation

The Area of Work called Discovery and Innovation serves as a business canvas to capture data, derive insights, and formulate strategies. Consider what an explorer might think about when embarking on a journey into the unknown. Explorers are driven by an intense curiosity to learn and to share. In doing so, they also establish a pathway for others to follow. And so it must be for product managers, who serve to light beacons of possibility for others in the organization.

While the Discovery and Innovation box is fixed in the model, the work involved is never a one-time event. For example, insights are not derived from a single study, but of market-oriented observations that are captured over time. This ongoing signal processing is required for the product manager and the team to consider emergent, unexpressed challenges faced by customers, trends in a given industry, or actions taken by competitors. A continual stream of market and business snapshots provides the wherewithal to energize product managers and their teams. In turn, the insights or “aha” moments will reveal strategic possibilities for the product's business. Therefore, some of the most important outcomes from Discovery and Innovation are the inputs to the strategy formulation process. The strategy formulation process combines past and current product performance information with current market insights to set a direction and lay the groundwork for flawless execution.

New Product Planning Phases

The Area of Work called New Product Planning serves primarily as a backdrop for guiding decision making. It is also used to ensure that the proper cross-functional work gets done in the “phases” so that optimal product investment decisions can be made. Its physical size in relation to the other Areas of Work is intentionally larger to represent the amount of time and effort that should be devoted to planning by the product manager and the team. The expression “go slowly and carefully first so you can go faster later” is the mantra for New Product Planning. There is no mandate to use the word *new* to describe this Area of Work. However, whether the product being planned is new or an enhancement to an existing product, there is usually something new being considered.

There are three phases and three decision gates within this Area of Work: the Concept phase, in which new ideas are generated and screened; the Feasibility phase, in which they are qualified in greater detail; and the Definition phase, whereby products are designed and specified so that they can be developed. While a brief explanation of each of these phases follows, a more thorough discussion is available in Module 3.

Concept phase work includes assessment of ideas for new products as well as for line extensions, feature enhancements and product derivatives, and new market entry with an existing product. It is a process designed to rapidly screen ideas, assess revenue potential, and establish the context to achieve differential advantage for a good fit within the overall product line or portfolio. The output document of this phase is an Opportunity Statement. At the conclusion of the phase, a decision check point (DCP) is reached and a review takes place: Either the concept will proceed to the next phase, or it will be rejected and work will stop.

For ideas that pass the Concept phase, the Feasibility phase provides a more in-depth review of the business, market, and technical dimensions of the proposal. The input to the phase is the Opportunity Statement and the outputs are a preliminary Business Case, preliminary Launch Plan, and high-level Functional Support Plans from each function. (Functional Support Plans are defined and discussed in Chapter 2.) If a project is considered feasible after a deeper assessment of market, technical, human resource, and economic perspectives, it can move to the Product Definition phase. If the opportunity does not meet the established criteria for acceptance, the project is stopped.

The Product Definition phase represents the activities that complete the market research, technical, resource, and operational analysis of the prospective program. In this phase, the product requirements and business capabilities needed to actually develop and launch a product are more deeply considered, and the future state marketing mix is solidified. Major funding for development is tied to the successful outcome of this phase. A final Business Case, Marketing Plan, and set of baselined Product Requirements are the primary output documents. It is possible to reject the Business Case if the risks are too great or if the criteria for acceptance are not met.

New Product Introduction Phases (Execution)

The Area of Work called New Product Introduction (again, “New” is optional) focuses on taking the plans and getting the work done—in other words, executing. These phases are portrayed sequentially in most NPD models. This is not how work should be carried out during New Product Introduction. While the product is being developed under the watchful eye of the product manager, a cross-functional launch team carries out the work needed to prepare the product for the market and ready the market for the product.

The Development phase begins after the project is approved and funded. It is the critical point in program execution when the product and all supporting materials and documentation are built or developed. It can be characterized by a series of projects or subprojects (some of which are functional and some cross-functional). It could include software development, manufacturing, or other programs involved with the actual delivery of the product in accordance with product requirements.

Carrying out the Launch phase work actually begins early in the Development phase and involves the activities used to bring the product to market. This is exemplified by the inverted triangles of Development and Launch. The launch is an integral part of the Product Management process and is an intense, cross-functional team endeavor. However, management of the Launch phase is often heavily driven by the Marketing function or, at the very least, done in close partnership between Product Management and Marketing. It represents an orderly sequencing of activities and events to bring the product to market.

Post-Launch Product Management

After the product is launched into the market, the product manager begins to focus on optimizing the performance of the products within the context of the strategies of the firm, division, and product line. Furthermore, the strategic management of products and services characterizes PLPM, including adjustments to the marketing mix (e.g., product, price, promotion, and channels), with broad oversight of Customer Service, Finance, and Operations. In order to run the business of the product, product team leaders should be adept at leveraging the membership of the cross-functional team when products are in the market.

Often PLPM is characterized by “blocking and tackling,” fire drills, and other urgent tasks and activities. This job frustrates many product managers and can often undermine their credibility on the team as they try to placate too many people and answer the ever-changing priorities of the day. PLPM is further characterized by intense information collection and sharing about the product’s performance and the activities of the marketplace. The leadership of the team entails communicating and collaborating such that appropriate market-based decisions can be made as the product moves through the market. A premium is placed on team leadership and the collaborative skills of product managers in the encouragement of efficient, rapid communication among team members.

Product Management: A Holistic Activity

The phases in the life of a product do not have clean edges: early phases blend into later ones, while later phases have deep roots in earlier phases of the process. Best practices that appear to belong in one part of the life cycle are active across the product life span. Tools and techniques morph throughout the life cycle, and even best-in-class documents tied to a particular point in time have elements that touch everything, from beginning to end, so that they become living, breathing documents. In fact, Product Management is a living process: it evolves; it changes; things wax and wane in importance. It is an interconnected, living system.

While the Product Management Life Cycle Model does help establish a clear line of sight, creating fantastic products is not a linear or easy process. Any real business and market environment is dynamic, with

many important things active at the same time. Decisions made now affect future elements of the life cycle; a seemingly small change in any given moment can make a world of difference later. Learning along the way changes the implementation of the life cycle, though the life cycle itself doesn't change structurally very much. Experiencing the product in the market can change the strategy or influence decisions about next steps. Actions taken by management or competition may suddenly change your immediate goals or operating environment.

There are times when certain actions or pieces become more important, times when other parts are dynamic, and even times when one or more elements of the product environment must absolutely be static and stable. The product manager simultaneously manages each of these pieces separately yet also manages all of these pieces together, holistically, in harmony. And that is the ultimate definition of Product Management.

SUMMARY: WHY PRODUCT MANAGEMENT MATTERS

In my book *Managing Product Management* I placed great emphasis on the fact that Product Management should not be considered a passing fad, something nice to have, or the strategic imperative of the year. In the modern world, businesses compete on a global scale and competitive forces are relentless. About a quarter of the firms that I study do an exemplary job of Product Management, and about one-third are headed in the right direction. The remainder of firms have a lot of work to do to properly implement Product Management practices.

While Product Management is on the organization chart in many companies, the roles and expectations of product managers tend to vary widely. In my experience, a lot of the confusion in this area stems from people trying to figure out Product Management on their own. They develop an approach based on their own operational or functional paradigms, which very often leads to inconsistent, ineffective business operations.

When Product Management isn't properly chartered, aligned, or scoped, people have to work harder to achieve the same goals. Therefore, Product Management must be established in organizations as a core capability, and organizational models must be altered to support the function of Product Management and to effectively utilize the capabilities of product managers.

With this in mind, here is why Product Management matters:

- Product Management provides a framework for consistency in the use and governance of key business practices across the organization.
- Product Management is uniquely situated as the only “horizontal” business function that serves to integrate and synchronize the work of others across the organization.
- Product Management serves to align cross-functional leaders around the business of the product, not their own functional agendas. In other words, Product Management breaks down functional silos!
- Product Management, and the use of the Product Management Life Cycle Model sets the stage for continuous improvement of all business practices that support or enable Product Management and the work of product managers.

RAISING YOUR PRODUCT MANAGEMENT EXPERIENCE QUOTIENT (PMEQ)

1. If you are new to Product Management or are considering a job in Product Management, visit the human resources department and ask them for some current product manager job descriptions. By reviewing them, you can recognize the kinds of tasks that product managers carry out in your company. You can also compare that description to some of the content in this book. This might help you devise some of your own professional development work.
2. A helpful method to learn about Product Management in your company is to have an information-sharing discussion with a senior member within the Product Management organization. Seeking out people and asking them about their career progression and how they gained experience along their career journeys will also give you a more interesting perspective on this job category. Further to this, ask to see an organization chart to see how Product Management is set up in the company.
3. If you’re already a product manager, you have at least one product for which you are responsible. That product (hopefully) solves a unique customer problem. From time to time, you should be able to verify that the product actually does solve a customer’s problem and that the product

carries a differential advantage in the marketplace. It may help you to reflect on or reevaluate some of the foundations on which your product is built, such as:

- The unique customer problem it helps to solve
 - The type of customer who has this problem
 - The reasons these customers choose your product over a competitor's
4. Within your company or division, there will be some relationships or connections between products. There could be shared platform elements, technologies, or components. Understanding these connections and documenting them in a visual way has value by helping you recognize a variety of factors that might influence your product. One idea would be to find out about the existence of product, product line, and product portfolio diagrams, as shown in samples throughout this chapter. If they don't exist, you might try to draw them yourself using a variety of resources such as your company's website, and by visiting the product managers or individuals responsible for those products to have them help you with those drawings.
 5. If there are any true "solutions" sold by your company, perhaps you can learn about these in your discussions with Product Management leaders, marketing leaders, or perhaps in a professional services department in the company. Try to learn about how these solutions solve bigger customer problems, and ask if you can review any real case studies related to how these solutions actually solved customers' problems.
 6. What type of thought or technical leadership does your company exhibit? Are there any documents or resources you can explore to help you learn about your company's distinctive advantage?
 7. Your company may employ platforms or may have the opportunity to develop them. You can learn more about these product platforms by finding out if there is a platform organization. If there is, it is usually a chief platform architect or an equivalent group of people who have this responsibility. Visit these architects and have them describe the major platform elements as they are shared across product lines. This is critical if you are going to be creating product requirements for which you will need to rely on your ability to clarify systemic dependencies and interfaces. Additional work you might want to carry out in this area includes:
 - Secure documentation to describe how the platform supports (or will support) current or future products.

- Review key drawings and documentation. Learn how the platform interfaces with the products. Learn if there are specific interface rules when defining products and writing requirements.
 - Find out who, in your product development organization, is responsible for coordinating and testing interfaces with the platform group.
 - Find out the process for making suggestions to the platform group to influence their evolution.
8. Find out about the product development process used in your organization. Get as much information and documentation as you can to learn about the terminology, documents, and protocols for planning, development, launching, and ongoing management of products. You can learn about this by working with a variety of people in Product Management and product development. Be sure you don't look at the development process from only the perspective of the Product Development department. Remember its functional process interlocks with the overall product development process.