



A Product Management Executive Board Publication

Product Management Benchmark Report

The State of Product Management – 2010

Executive Summary

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Introduction

A Commitment to Product Management

It is a given that portfolios filled with highly performing products, a healthy pipeline and some innovative activity can contribute greatly to corporate stability and growth. It is also obviously good for business that within the firm there is corporate commitment to the structure and effectiveness of Product Management as an embedded systemic configuration. Efforts to do so should be fortified. Unfortunately, not all firms demonstrate this commitment.

At Sequent Learning Networks, we've invested more than 8 years in assessing, diagnosing, and advising organizations, across industries and around the world. Our work supports these organizations as they devote efforts toward their achievement of a more efficient, higher performing Product Management organization.

Over the years, we have noted a high degree of variation, across and within companies, in how Product Management activities are carried out. As well, we have seen the organizational pendulum swing in response to situations in the business or market environment. There are several causes for this.

For example, if we look at the business cycle, mergers, or divestitures, we see that expertise and core competencies tend to shift in and out of the firm. This is especially prevalent within the functional areas that require crucial business and market evaluation skills. Then, as business conditions

improve, new employees are hired, processes are redone, documents recast, and methods reengineered. These changes are made without regard for the progress that may have been made during previous leadership administrations.

Further to the point about the changing composition of leadership teams, there are other predictable (or not so predictable) organizational changes. These changes include: revamping the product development process; a push to accelerate innovation; and an over-emphasis on new product projects. Another factor is the typical cost cutting in important support functions, especially customer support and its evident impact on the customer experience...or in market research, leaving the organization without a steady stream of reliable insight.

Dynamic organizational change can disrupt efforts in Product Management maturation.

Of equal importance is ongoing friction between cross-functional leadership constituencies, namely Marketing, Product Development or Engineering, Product Management, Operations, and others. Some of the friction is caused by misaligned agendas or because the groups do not have a common vision of the future of the organization. Each group perpetuates their own paradigms and organizations' progress as if 'by accident' instead of good management.

Although this situation may not apply to all organizations, there is enough evidence suggesting that this is a topical area, and that further research might reveal some of the reasons for this dissonance.

The Premise for this Research Project

As former corporate leaders, and now in the position of organizational advisors, we see opportunities to help leadership fortify methods, techniques, employee skills, and organizational work structures in Product Management. We are concerned when we observe inefficiencies, poor workplace or team behaviors, or other organizational conditions that could easily be remedied with some outside facilitation. Yet, we are also aware of the challenging, multi-faceted world of corporate leadership and the dynamics of functionally oriented firms. We understand that everything cannot be fixed at once. However, we feel we can help produce positive and productive changes.

We believe we can contribute by helping to uncover root causes to some of the inefficiencies and conditions noted above. We believe we can help business leaders see the individual pieces of an organizational puzzle and how the pieces can be made to fit nicely into a bigger picture of organizational excellence that we can all work toward.

Our goal is to lay out the foundations for building a durable Product Management Organizational Platform that survives the ebb and flow of internal and external distractions.

A Foundation for Change

The greatest challenge to initiating this project was its sheer scope. Which outcomes, insights, and recommendations would have the most value to you, as the leaders of product and marketing organizations? To address this challenge, we used empirical data we collected from competency assessments, employee and management interviews, and other organizational diagnostic work we have conducted over the past several years as our guide.

Figure A-1: Interrelated Areas



For the structure and content of the instrument, we chose to align the topical areas with our competency reference model for Product Management. The suite of questions and statements reflect the areas valued most by our clients based on insights derived from our diagnostic programs. Therefore, we chose the following:

1. How Companies Organize for Product Management
2. Work Environment Enabling Market Focus
3. Activities Related to Strategic Product Line Planning
4. Innovation and New Product Development and
5. Managing Existing Products and Portfolios.

From there, we sought to induce responses to reveal the issues that could shape our insight and recommendations to you. If we can fit these pieces together and look at them holistically, or systemically (either in this report or in

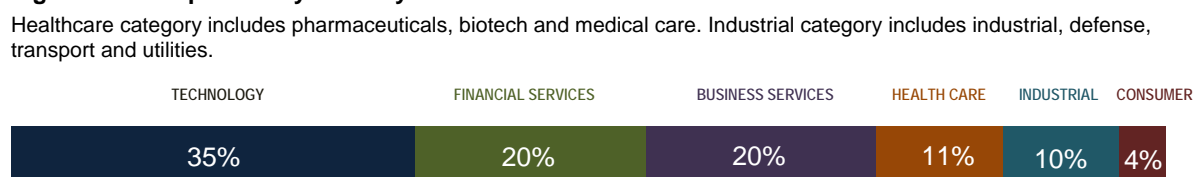
discussions at our envisioned future leadership forums), then we may be able to clarify the relationships between each of these areas. (Figure A-1)

Within the five survey sections discussed in this report, there were 83 groups of questions and statements, and across the entire survey, a total of 211 questions and statements. We received some helpful feedback on the survey design that we will use to fine-tune this program as we take it forward. Our intent is to continue this initiative and track trends in organizational change and development in Product Management. Additionally, we conducted some interviews with various survey respondents. Each person showed an inclination toward a given area of thought and opinion. Some of these outcomes are reflected in the analysis, commentary, and recommendations.

Survey Respondents

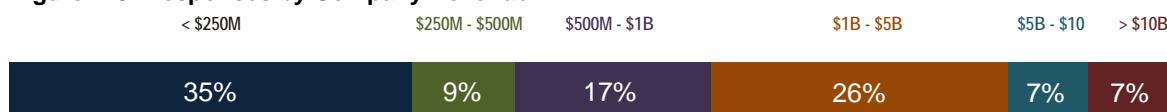
It was vital to keep participant information anonymous in order to get the best responses. Many of the areas discussed could be considered proprietary. Our respondents ranged across seven general industry categories as indicated in Figure A-2.

Figure A-2: Responses by Industry



Slightly more than a third of the organizations had annual revenues of under \$250M; approximately 40% had revenues over \$1B as shown in Figure A-3.

Figure A-3: Responses by Company Revenue



The Final Approach

As we compiled the data, we concluded that our goals were ambitious. If we were to analyze each and every datum and relationship, we would end up with a report exceeding 100 pages. Therefore, we decided to extract what we believe to be the most important and valuable insights within a digestible report.

Each section will be presented as follows:

1. A brief introduction that characterizes the purpose
2. The most important key points or conclusions
3. Insight, discussion and discoveries from the data
4. Some recommendations for leaders to consider

Be assured that as we refine our approach and accumulate further data, we'll continue building our database, and will track important trends and changes well into the future.

We include this snapshot of our respondents to help readers more fully understand the nature of the information presented.

42% responded on behalf of the entire company.

58% responded based on their business unit or division.

82% were US companies, 6% were Canadian, and 12% were from Great Britain and Europe.

Executive Summary: Key Findings

Enterprise-wide Responsibility for Product Management is a Critical Element of any Organization's Business Model

We believe that as a way to establish context, people who work in all business functions should participate collectively in Product Management. In fact, Product Management should represent a central nexus for communication to aid in minimizing conflicting agendas that often emanate from these groups.

Product Management should serve as a “horizontal function” by bringing together disparate groups and interests for the common cause of the success of a product line or portfolio group. Product lines and product portfolios should be optimized and attuned to harmoniously achieve stated strategic goals.

Most readers will agree that product portfolios should reflect the *strategic investment priorities* of the firm. However, the stewards of Product Management are not only the product managers, *but the managers of product managers*. Therefore, how companies cultivate product managers and enable them to excel as strategy-minded business managers is of paramount importance.

Based on this perspective, the executive summary offers a quick overview of the findings and abstractions from each of the five modules described earlier. Of course, readers will find more information when they read through the modules.

Section 1 Organizing for Product Management

- A uniform, baseline set of business skills is fundamental for every product manager, regardless of industry. Exclusive of domain expertise, product managers produce better business results when they fully comprehend how all strategic, market, and financial activities systemically impact the business.
- Leaders should be investing time in coaching, developing, and providing well-conceived progression plans for product managers.
- Progression plays a pivotal role in the development of product managers. Only 53% of companies surveyed have a formal program.
- A senior level Product Management council or governing body that survives reorganizations would ensure the long-term survival and overall organizational maturation of Product Management. 63% of firms surveyed do not have such a council.

Section 2 Work Structures Enabling Market Focus

- ‘Market focus’ as an expression may lose its connotation because, like clichés, so many people use the term to defend the idea that they understand customer needs. Incomplete or insufficient market analysis can sometimes lead to disappointing outcomes.
- Leaders should not lose sight of the benefits of a robust, well-funded, ongoing set of research activities that serve to guide product and marketing strategies.

- Product managers and their teams can earn greater levels of credibility with cross-functional constituencies when they demonstrate how data driven market insights can optimally shape product and marketing strategies.

- Research counts! People who carry out and/or analyze industry, competitor, and customer research will generally improve their ability to think critically about the product's business.

Section 3 Strategic Product Line Planning

- Product managers are expected to play a critical role in creating value for the company through strategic product line planning. However, strategic product line planning is not a core competency among product managers to the extent leadership desires.

- Only half of leaders report that product managers and their teams have the necessary tools, systems, data, and guidance to translate market insight into realistic, actionable strategies.

- Product managers must spend more time in strategic planning (as reported by 67% of leaders) and demonstrate leadership behaviors that result in a longer-term vision and strategic goal setting for their products. This would include: information sharing, effectively communicating (formally and informally, vertically and laterally) objective setting, prioritizing resources and activities, and cross-functional problem-solving.

- It is important that product managers develop and consistently use key product line performance measurements derived from agreed-upon strategic goals to link strategy to tactics and influence behaviors at all levels of the organization.

Section 4 Innovation and New Product Development

- Leaders have a clear desire for creativity and the innovative results it can bring to their business. However, the foundation of tangible support through investment in financial and human resources, a reward system, and structured processes aligned with these goals appears to be lacking. Innovative processes, practices and work structures are necessary to establish both a culture of innovation as well as tangible results.

- Creativity and innovation require allowing people to take risks. Managers and leaders must support their organizations by structuring an environment with the 'space' to be creative, ensuring the right tools are available and new skills and techniques are learned.

- Market focus is critical to innovation. It is vital that product managers routinely share market data and findings with their cross-functional team to ensure they have the necessary input to develop insights to feed their creative and innovative talents.

- A robust process of categorizing, assessing, and prioritizing ideas appears to be a challenge for many. Consistently applied screening criteria will enable a comparison of the opportunity attractiveness vs. how well the business is positioned for success if a proposal is implemented. The cross-functional team must be fully aligned on the need and investment justification for the product, the value it brings in the marketplace, as well as the method, tools and timing needed to effectively commercialize the product.

Section 5 Managing Existing Products and Portfolios

- Product Management leaders who inspire retrospective evaluations of product launches or other activities that build a "plan-vs.-actual" perspective in product managers will encourage a performance management mindset.

- The marketing mix isn't just about Marketing 101. The marketing mix requires thought and action around a holistic set of intermingled strategies that impact business results. Pricing, promotion, and channel are important levers that should be governed by product managers and their teams.

- Cross-functional product teams should be used to manage the product's business as the product moves through the market. Therefore, roles and responsibilities of cross-functional stakeholders should be agreed upon with senior leaders who are accountable for optimizing product portfolios.

- Life Cycle Product Portfolio Management should be a commitment to the ongoing rationalization and balancing of all the products across all the product lines. It is a critical process that should be closely aligned with the strategic planning process for the firm. The fine-tuning of product portfolios is a leadership team endeavor and can add tremendous value to the firm.