

Executive Summary

The State of the Product Management Organization - 2011

Based on a study prepared by:
The Product Management Executive Board



The Product Management Executive Board
www.productmanagementexecboard.com

Introduction

The Product Management Executive Board conducts research in areas relevant to the development, maturation and support of Product Management. The purpose of this study was to gain insight on the degree to which organizations have certain practices in place that enable product managers to be optimally effective. This study explored following questions:

1. Which key business processes does Product Management play an important role in and contribute effectively?
2. Is the role of the product manager defined and clearly understood throughout the organization?
3. Is a defined Product Management foundation and methodology in place that is integrated across the organization?
4. Is the organizational design of the Product Management function balanced appropriately with business needs, and is it adaptable to dynamics of the market?
5. How well are cross-functional product teams aligned with and accountable for business results?
6. Are product managers using a system of product performance measures to make decisions and take action to increase product success?

The full benchmark report provides a review of the research data in each of these areas. Specific gaps are analyzed and the impact the issues have on the Product Management function and the organization as a whole are discussed. Actionable recommendations for leaders are provided in each section. It is our sincere hope that the full benchmark report will spark ideas to help you develop a more effective Product Management organization. This summary provides a description of each section of the research.

What We Learned

Interesting gaps surfaced in several areas that suggest the need for an increased focus by leadership. These gaps in and of themselves may not be surprising. Rather, it is the very low level of performance reported by the majority of respondents that draws our attention.

Chief among these concerns:

- › There is a profound lack of role clarity; not only for product managers, but also for the cross-functional teams they should lead.

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- › The function of Product Management is not well-integrated with the rest of the business organization.
- › Product Management organizations clearly understand the value of using product performance measures, however, this practice was found to have the lowest levels of performance in the study.

There are also areas where leaders and product managers have vastly different perspectives that arouse concern.

- › Product managers' responses suggest that the incidence of organizational disconnect with other functions may be far more prevalent than leaders might realize.
- › Leaders may also not fully appreciate the importance of using approved charters for cross-functional teams as a way to establish a clear purpose and create more accountability for the team's results.
- › Product managers feel that leaders could do a better job to initiate and support formal and informal networking opportunities among product managers and with other functional groups.

Study Design

The context for this research project was derived from other bodies of evidence, including research carried out by Sequent Learning Networks, the holding company of The Product Management Executive Board. This evidence suggests that effective organizations share some common characteristics:

- › Their organizational structure and key processes have a recognized strategic anchor.
- › Work flows for business activities are efficiently organized and documented.
- › Authority with respect to decisions is clearly understood.
- › Work activities are synchronized, horizontally and vertically, across the organization.
- › Firms are more agile competitors due to their ability to secure and analyze market data.
- › The organizational structure is set up so that core competencies can be optimized.

We utilized this perspective to analyze issues from two viewpoints. *The first is from the point of view of senior leaders of product and marketing organization.* The second is from the vantage point of the *product managers as individual contributors.* This helped us to understand the perspective of each study group and identify gaps between them.

Respondents

Seventy seven executives and eighty seven product managers responded to the survey. The breakdown of responses is shown in the table below.

Leaders (77)	Individual Contributors (87)
ROLE	
34% SVP/EVP/VP Product Management	73% Product Manager
23% Sr Dir/Dir Product Management	12% Product Marketing Manager
17% CMO/VP/Dir Product Marketing	15% Other Practitioner Titles
26% Other	
INDUSTRY	
30% Information Technology	22% Financial Services
19% Financial Services	19% Information Technology
11% Healthcare	16% Industrial
9% Industrial	8% Healthcare
31% Other	35% Other
ANNUAL REVENUE (US \$)	
50% < \$500 million	53% < \$500 million
14% \$501 million - \$1 billion	12% \$501 million - \$1 billion
36% > \$1 billion	35% > \$1 billion

Section 1) Key Business Processes

Our investigation sought to rationalize *two* perspectives on Product Management's involvement in key business areas. We asked leaders of Product Management organizations as well as product and marketing individual practitioners to tell us which are the most important business processes in which Product Management is involved. We also asked both populations to rate how effective their Product Management organizations are in performing the work related to these processes.

Certain process areas show wide gaps between process importance and perceived performance levels. Interestingly, if one were to 'step back' and look at these from a holistic perspective, the importance of each process as interrelated business elements would be very clear. Two examples are described below.

Developing Product Strategy – Nothing is more important for a product manager than being able to set direction for the product. Unfortunately,

sometimes the product manager creates a product road map as an unwitting surrogate for a holistic strategy that should include the product *and* other related organizational elements (e.g., Pricing, Channel, Operations, etc.) Product strategies should be stimulated by market insights.

Developing Market Insights – These are the “so-what’s” of market research that are derived from ongoing research activities. When product managers do not have a steady stream of data, due to a lack of formal research, they may miss market signals and therefore, those important insights. Without them, strategies for new and existing products may be flawed.

Section 2) The Role of the Product Manager

In many organizations, the functional role of product managers is inconsistently defined and unclear across business groups. Both leaders and product managers feel that the decision making authority of product managers and their cross-functional team members is not well-defined or understood throughout their organizations. Lack of role clarity causes complexity, frustration, lack of accountability, and duplication of effort. Obviously this is likely to have a negative impact on an organizations’ ability to execute.

Establishing the decision making authority of product managers seems to be a weak link in many organizations. When the responsibility to make certain decisions is unclear, frustration ensues. Product managers and others cannot be empowered where ambiguity reigns. This ultimately impacts the timeliness and quality of work. Organizational competency for decision making requires that the right people are involved in the right way and share an understanding of the context and implications of decisions. An organization’s capability to make good decisions in a timely manner is an often untapped source of competitive advantage.

Section 3) Product Management Integration across the Business

As essential orchestrators of work in the organization, product managers must work closely with people in all business functions. Sometimes other functions may not understand, or may have different views on the role of the product manager. This can create a lack of appreciation for the contribution product managers make to the outcomes of those processes. Our research in this area sought to understand:

- 1) Whether a defined Product Management structure was embedded in and understood across the organization.

- 2) The extent to which people in other functions understand and align around Product Management processes.

Overall, it is surprising to learn that leaders believe Product Management is more deeply ingrained across the organization than do the product managers. It is clear that product managers experience a higher degree of organizational disconnect than leaders realize.

Section 4) Organizational Design

Product Management must balance their functional needs with those of the businesses it supports. Maintaining this balance means being keenly aware of potential strategic and operational shifts. The design of the Product Management organization must be flexible and adapt quickly to the changes that may be needed. Our study results indicate that leaders believe this is happening in their organizations to a much higher degree than do product managers.

As products and services commoditize, competitive activity in some firms may shift to new products and/or new markets. While in others, attention may be paid to the preservation of market share or the enhancement of cash flow from current products. As the company's portfolio focus shifts, the design of the Product Management organization should adapt, too. This applies to the efforts of product managers. Senior leaders should pay particular attention to the role of the product manager as portfolio strategies shift.

Section 5) Cross-Functional Team Effectiveness

For product managers to effectively lead and influence members of their cross-functional teams, relationships with those team members are as essential as the clarity of their respective roles.

Both leaders and product managers report that cross-functional teams are performing at less-than optimal levels due to role confusion and lack of accountability. However, leaders report comparatively higher levels of performance. This may suggest that leaders could be missing an essential piece of the puzzle – not having an agreed upon team charter. Leaders may think the product teams have clear direction and purpose, while product managers working on these teams know they do not. This not only impacts the team's ability to directly understand the results they are expected to deliver, but also how they contribute individually to the achievement of team objectives.

Section 6) Product Performance Management

Performance management is the process of managing execution by driving accountability. This enables a quicker response to uncertain changes by focusing on the *important* and the *relevant*, and it ensures that the right business information is available for making decisions.

The discipline to apply an effective system of product-level measurements is not apparent in many firms we evaluate. Where measures may exist, they aren't always visible to the product team, and ownership for each metric may not be established. In addition, the measures typically are not a balanced mix of results and predictive measures to support meaningful evaluation and remediation.

Leaders and product managers in this study agree that ownership and accountability of performance measures along the full product life cycle is simply not happening in most of their firms. These specific measures are central to the product managers' ability to discern how well their products are performing versus established plans. Business Cases, marketing plans, and launch plans describe decisions and actions intended to execute product strategies. Product managers should measure the outcomes prescribed by these plans to ensure objectives are being met.

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