EXECUTIVE

THE BUSINESS ROLE OF PRODUCT MANAGEMENT

IMPROVE THE BUSINESS PERFORMANCE OF YOUR PRODUCTS.

Product Growth
Leaders

The purpose of a business is to create a customer.
— Peter Drucker

T he legendary management theorist and consultant Peter Drucker believed that management was a practice. As per Merriam-Webster, "**practice: the actual application or use of an idea, belief, or method, as opposed to theories relating to it.**"

In his seminal book *The Practice of Management*, Drucker described the jobs of management as:

"The ultimate test of management is business performance.

"Achievement rather than knowledge remains, of necessity, both proof and aim. Management, in other words, is a practice, rather than a science or a profession, though containing elements of both."

Therefore, as we look specifically at the management of a product or offering, we need to be looking through the same lens. Product Management is a **practice**, the application of a "method" with the ultimate test being "business performance."

This is an essential belief: there is a method to Product Management that needs to be applied and used—product management is responsible for the business performance of their product.

1
THE STRATEGIC IMPORTANCE OF PRODUCT MANAGEMENT

Through strong product leadership, we will prioritize the right opportunities; and through strong product management, they will be done right, and the entire organization will succeed together.
— Grant Hunter

In the McKinsey article "Product Managers for the Digital World," the authors define product management as "the glue that binds the many functions that touch a product—engineering, design, customer success, sales, marketing, finance, legal, and more. They not only own the decisions about what gets built but also influence every aspect of how it gets built and launched."

If a function is so critical to a product's success that it "owns decisions about what gets built" and "influences every aspect of how it gets built and launched," then the term **glue** is strong enough.

As a critical leverage point, we see product management as the fulcrum that plays an essential role in the organization.

Drucker defined marketing as the "whole business seen from the point of view of its final result, that is, from the customer's point of view," and that because of this, "concern and responsibility for the market must expand across the entire company."

What Drucker called **marketing** is better known today as **product management**.

Product management can, or should be, be the voice of the market. They look beyond the **deal of today** to the **market full of customers**—both existing customers and prospective customers. The best product managers engage frequently with customers and non-customers to discover and validate under- and un-met needs that could be addressed.

Product management evaluates multiple opportunities to ensure a product strategy delivering on the **right opportunities**—those that maximize value to both customers and the company.

With this strategy, product management provides focus for the efforts of each function in the organization—development, design, marketing, sales, support, success—**providing the context each function needs to be successful.**

Through this, product management expands "concern and responsibility for the market" across the entire company.

2
THE TWO-DIMENSIONS OF PRODUCT MANAGEMENT

"Product managers do not design products; product managers design businesses."
— Steve Johnson

Many people were introduced to product management with the concept that there are two-dimensions of product management.

The first dimension is from strategic to tactical. Some of the activities expected of product managers are more strategic while others are more tactical.
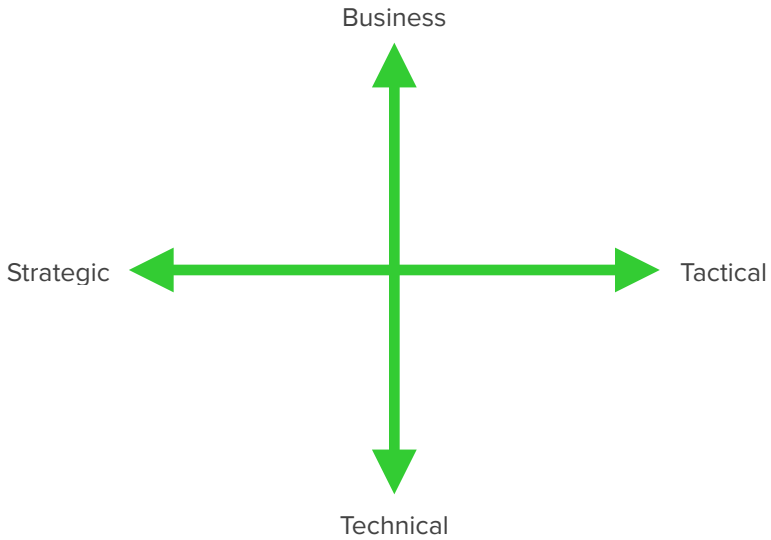
Strategic ⟷ Tactical

We learned that the more strategic aspects are critical — defining personas and market segments, identifying market problems to address that are **vital** to the buyer, **valuable** to the user, and **viable** for your business. A necessary understanding of our differentiation helps us focus our tactics on the right problems, the right personas, and the right market segments.

And the context we provide the rest of the organization, that glue or fulcrum, enables the rest of the organization to develop and execute the right tactics. Our problem-oriented personas and stories enable design and development to build great products. Our market-focused personas and positioning enable marketing and sales to successfully market and sell the product.

Business

The second dimension, which is very relevant in software and technology-enabled industries, is from business to technical.

Some of the activities product managers perform are more business-oriented, such as performing market research, building product strategies, developing business plans and roadmaps, stakeholder communication, and monitoring the finances of the product. These activities require coordination with leadership and finance.

Some of the activities are more technically-oriented, such as writing requirements or stories, grooming a backlog, and managing project status. These activities require engaging primarily with design, development, QA, and support teams on these execution-focused issues.

Technical

Putting these both together creates a product management matrix: a tool you can use to map product management activities. And help to define your product roles.

One common way roles are defined is Product Management focused on the left side—the strategic activities—and Product Marketing on the right side—the tactical activities. You could think of the left as "Getting to product" and the right as "Getting to market."

Sometimes we see product marketing roles focused on the top—the business and market activities—while product management focuses on the bottom—the technical and product activities.

In many Silicon Valley and VC-backed internet companies, the definition of product management is almost exclusively the technical aspects of product, often adding in design and project management responsibilities.

These companies do not see product management as a business role.

This is a mistake.

3
THE BUSINESS ROLE OF PRODUCT MANAGEMENT

"The signature of greatness is a disciplined and consistent focus on the right things." — Jim Collins

Modern product management started at Proctor & Gamble in 1931 as "brand management," a role that had absolute responsibility for a brand, managing both the business and go-to-market aspects in a customer-driven approach.

Hewlett-Packard brought this approach into technology—putting decision-making as close as possible to the customer, with product management serving as the voice of the customer.

As the role of product management evolved, the central tenet was always the business of the product.

Yet companies without a formal product management team are indeed "managing" their products. New features; new clients; new marketing programs. Product management and marketing activities are spread across multiple functions,

without a central person with a singular point of view—the "one throat to choke."

- Someone is making decisions on which markets and personas to serve.

- Someone is providing requirements to design and development teams to help them build the product.

- Someone is determining which campaigns and programs and sales enablement tools should be created.

The question is this: **is "someone" the right person**?

You need a someone who is systematic, market-focused, and transparent. The "someone" who owns it is the one who writes it down and keeps it current. (Uh-oh, did a bunch of stuff just get "un-owned"?)

Product management thrives in being the fulcrum that drives market-focused decisions about the product. Enabling each department to focus on their contribution— developing, promoting, and selling products successfully—and maximizing the value of the product to the company and its customers.

The business role of product management is responsible for:

✓ Engaging with the market to understand market segments and personas and discover market problems to solve;

✓ Partnering with leadership to focus the product strategy on the opportunities that have the best

chance of success, creating value for the company and customers;

✓ Enabling design and development teams to build successful products with context on the market segments, personas and problems;

✓ Enabling sales and marketing to connect with the market successfully with context on the market segments, personas, value propositions and differentiation;

✓ And managing the business and strategy of the product throughout its lifecycle, including defining growth opportunities in new markets and with new products.

Is this product management in your organization?

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4
THE BUSINESS AND STRATEGY GAP IN PRODUCT MANAGEMENT

"The two most fundamental strategic choices are deciding where to play and how to win." — Roger Martin

Product management is a business role. An overwhelming number of product leaders and industry thought leaders agree.

In 2021 study by Product Growth Leaders, product leaders identified **business and strategy skills** as the most important skill for product managers—with **91%** of them ranking them as Important or Very Important, followed closely by **soft skills** at **91%**, and **product management fundamental skills** at **86%**.

Both company and product leaders see product management as a business and strategy role.

We asked respondents to rate their organizations' current command of these skills. Only **32%** of product leaders thought their product management team had Good or Very Good command of business and strategy skills.

This is a **59%** gap between their command and their perceived importance of these skills. **This is massive and unacceptable.**

This gap impacts the results of product management and our businesses. This gap is likely a contributing factor in the **72%** of all new products developed that fail to meet their revenue targets. [CB Insights]

Product management, as a craft, needs to remedy this.

WHAT'S NEXT

Most product managers inherit an existing product—often one that has evolved over the span of years. These product managers need to learn how to manage the product through each stage of its lifecycle. They need to understand the product financials to determine if yet another release is warranted or if it's time to pursue new markets. Or conclude that it's time to move the product to "life support" to fund new initiatives from the old product's profits.

They need to be able to:

- ✓ Analyze the market and competitors;
- ✓ Assess the performance of their product;
- ✓ Evaluate product strategy options and determine where to focus their resources;
- ✓ Engage with the market to understand and validate their chosen option;
- ✓ Make the business case for the investment; and
- ✓ Manage their roadmap accordingly.

Product managers need to know what the right strategy is for their product based on where it is in the lifecycle.

That's the business role of product management.

ABOUT PRODUCT GROWTH LEADERS

O ur belief in the importance of application in learning is so strong that we incorporate these concepts all of our professional development programs. Each program combines lessons with coaching, theory supported by application.

Guided by Steve Johnson, an industry pioneer with decades of experience training and coaching product professionals, our courseware addresses the most common areas of chaos and confusion in product management including product strategy, business planning, and prioritization as well as standardizing roles and processes.

Using the modern **Quartz Open Framework**™, participants learn how all the parts fit together into a coherent whole.

Product Growth Leaders guides emerging product leaders with **coursework** on strategic product management, a networking **community** of product professionals, and **research** on best practices in product management and marketing for technology-based organizations.

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