



White Paper

Starting up product management

The 6 questions that you need to answer

Summary

If you're starting up product management for the first time, it can be very challenging. Your company has identified the need for product management, or you're worried that it just doesn't exist in your business, and you're trying to understand how to make it happen.

Maybe your company is trying to move from a project-based business to a more profitable 'build once, sell many times' product model. Perhaps your company is trying to avoid scattergun decision-making and have a more balanced and objective approach. Or maybe it's looking for a stronger focus on business outcomes rather than the volume of output from the development team.

However, setting up a product management team is not easy. There is no standard definition of what product managers do. And, it often involves taking decision-making authority away from others in the business, which is divisive.

Plus, you may have little or no formal product management experience if you're from within the business. If you're new to the business, you have to first build your company knowledge, relationships, and political capital to be effective.



6 key questions

This white paper aims to explore the 6 key questions you should have answers to.

- Q1.** Where is your business on its product management journey?
- Q2.** What should product managers do?
- Q3.** Do you need product managers and product owners?
- Q4.** How do you get buy-in from the rest of the business?
- Q5.** Who do you hire and where do they report?
- Q6.** What tools, processes and learnings are needed?

Introduction

If you are introducing product management into your company for the first time, you face some big challenges! But also, some great rewards once it's been achieved.

You have to set-up the department or function from scratch. You have to introduce the wider business to the value and responsibilities of product management. You probably have to take decision-making authority away from others in the business. Doing this and deciding where to start can be really tough.



Product management is at the core of any business that sells products. Done well, it delivers strategic insights, optimized resources, and bottom-line results.



Q1

Where is your business on its product management journey?

What product management does in your company will, to some extent, depend on the stage of development of your business. When a company is small, then the CEO or senior team does most, if not all, the product activities. Usually, the company is the product – as there is only one product.

As senior management become busy running teams, hiring, and dealing with investors, they don't have time for some of the operational product activities like creating requirements for development or writing user guides – that's usually when a Product Manager is first installed, and it's usually someone already in the business (e.g., a Project Manager, Senior Developer or Business Analyst). The tasks that this first Product Manager typically works on are tactical, for example, resolving issues and writing detailed requirements.

As a company grows, with more people and more products, senior management become even less close to what's going on with each product and market. Deciding on what to prioritize becomes a more urgent challenge. So often a business case process is introduced to help make these decisions on relative priorities. Product management is needed to pull these together and keep track of longer-term plans and commitments on a roadmap. So, the product management role grows to include these activities. As companies mature, they often create specialist

functions in areas such as pricing, user experience, and product marketing. This makes sense to focus expertise and experience. However, it means the activities related to a single product become more fragmented across different areas of the business. Product management has a vital co-ordination role to maintain focus and balance for the product.

And, as companies scale and become more complex, they start playing in multiple markets with multiple products and propositions. Senior management concern themselves with the big picture and lose touch with the detailed propositions for each product. This is where Product Management needs to take on even more of a leadership role. Bringing this product focus to senior management (to help them understand the markets, proposition, and product performance) and to drive the product forward in support of the company strategy.

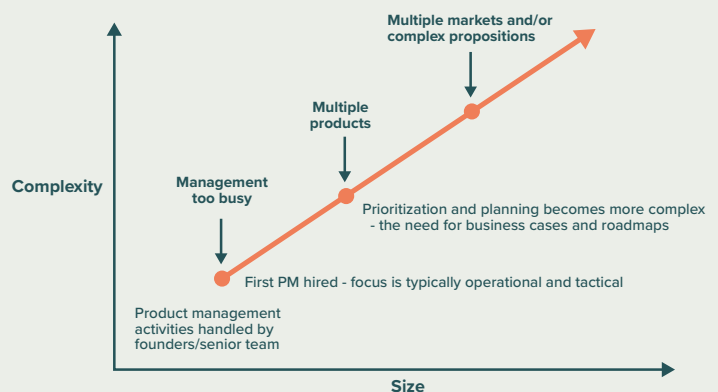
So you can see how the role changes in companies of different size and complexity.



Key point

Understand where your company is on the product management journey. This white paper is aimed at helping you introduce product management for the first time into a business, but you may already be further along the journey.

How product management typically evolves in a company



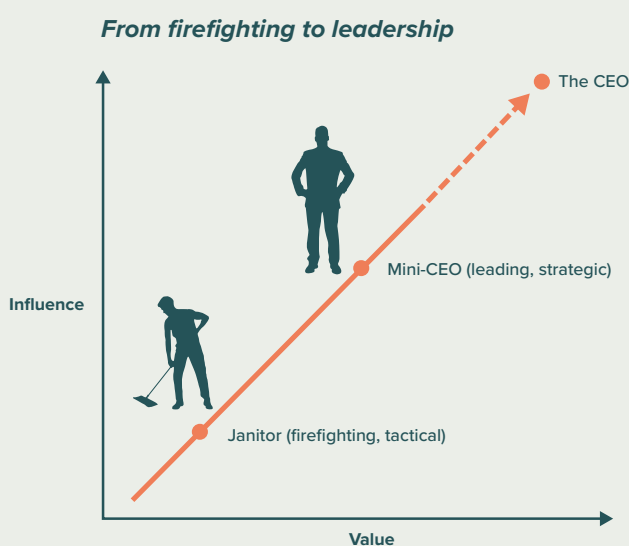
Q2

What should Product Managers do?

There is no industry standard definition of what a product manager should do. From our annual industry survey, we know that what product managers do varies from business to business and even between departments in the same company. The result is that people have different views on what to expect.

One of the fundamentals is understanding whether the role is operational, strategic, or a mix of the two. In some businesses, product managers spend all their time firefighting and dealing with tactical and operational issues. In others, the product manager has more of a leadership role, coordinating activities and providing direction to others in the business to deliver on an agreed product strategy. Usually, it's a mix of the two.

However, product management may have been 'sold' to the rest of the business as a home for resolving product issues, and in this case, it can quickly become a janitor/caretaker role.



At it's best, product management is a leadership role

We know that product managers can have the most influence and provide the most value to the business when they are in a leadership role. We liken them to a mini-CEO, running their product like it's their own business in the wider organization. However, many product managers find themselves in more of a janitor role – sweeping up the mess of product issues and continually firefighting.

Use our Product Activities Framework – to agree on who owns what

A great tool to help think through the product manager responsibilities is our Product Activities Framework. You can use it to help work out who's doing what. The framework is divided into three key areas which are strategic product activities, which are about working out what the right product is for the business. Inbound

activities which are about helping the business to develop and support the product. Finally, there are outbound activities that are helping the business to market and sell the product. These break down into 20 detailed product activities.

Decide on who's going to own and work on each activity. It's unusual for product management to own them all. In the diagram below, you can see what product managers typically own.



Key point

You need to agree on whether product management will be purely tactical, i.e. problem solving or also take on a more valuable strategic role (janitor or mini-CEO). Use the Product Activities Framework to decide which activities product management will own.

Usually own this

Own unless other roles own the activity

Own the high-level – detail often delegated elsewhere

Usually support other teams working on these

Product Activities Framework

Strategic Product Activities

working out what the right product is for the business

Getting Insight

Market research

Customer research

Competitive research

Product performance

Analysis

Segmentation

Propositions

Positioning

Business cases

Giving Direction

Product & portfolio strategy

Vision & Evangelizing

Roadmaps

Pricing

Inbound Activities

helping the business to deliver the product

Discovery & design

Requirements

Project & partner management

Operational readiness & trials

Outbound Activities

helping the business to sell the product

Launch

Product promotion

Sales & marketing content

Sales support

Q3

Do you need Product Managers and Product Owners?

You might be thinking, why do you need Product Managers if you've already got Product Owners?

What do a peanut, a Panama hat, and a starfish have in common? Well, they're all misnomers. A word or term that suggests a meaning that is known to be wrong. A peanut is not a nut; Panama hats come from Ecuador, not Panama, and a starfish is not a fish.

Another misnomer is 'Product Owner'. Does the Product Owner really own the product?

A Product Owner is a role defined by the Scrum methodology. They are part of the team working on the development of a software product. A Product Owner prioritizes the requirements in the backlog, specifies

requirements ready for the next sprint, and answers questions from development about the requirements that are being built. This is defined as 'is responsible for maximizing the value of the product resulting from the work of the Development Team' in the Scrum Guide.

A Product Manager has a much broader role. From the long-term product strategy and roadmap to business cases, getting market insight, proposition development, sales support, product marketing and firefighting. Other people in the business may do some of these activities, but someone needs to have a joined-up and balanced view across all the different aspects of a product. Someone needs to be responsible for its success (like the mini-CEO concept). That's usually the Product Manager, and it can keep them very busy.

So if anyone owns the product within the business, it's the Product Manager. It's not the person managing the requirements – the Scrum 'Product Owner'. No wonder people get confused.

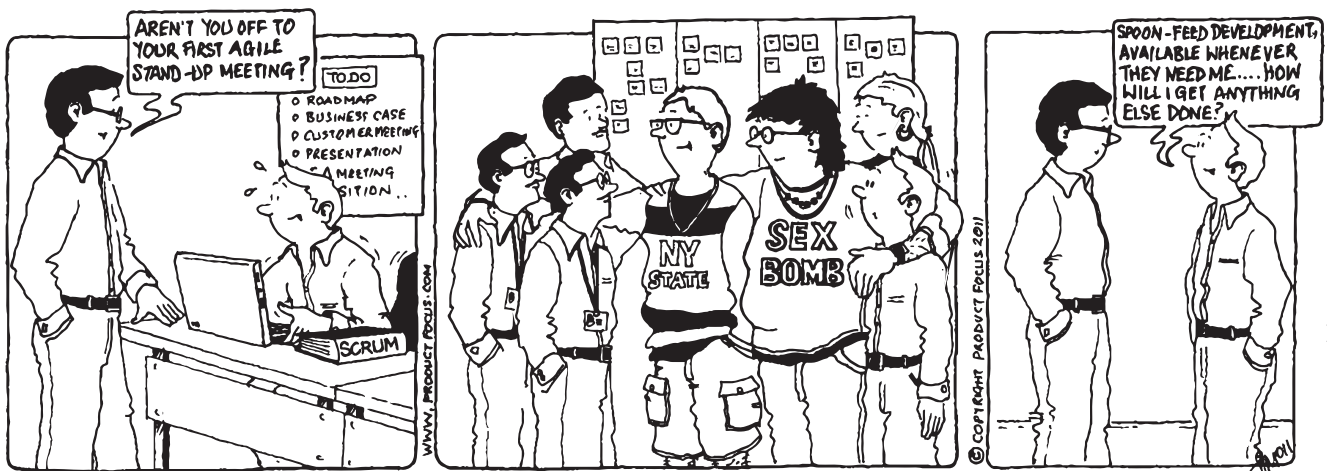
But forget about job titles. In reality, we find that many product owners do parts of the product management role and many product managers work on requirements. In fact, according to our 2021 annual survey, 31% of Product Managers in companies using Agile are also the Product Owner.

From talking to Product Owners on our training courses, we know that the average role takes just under 2 days a week. So, if a Product Manager does the role, that's 40% of their time attending meetings with Development and working on requirements. That's fine if the work needs doing, but this problem highlights a major dilemma – should a Product Manager also be Product Owner?

Sometimes there is no choice if there is no-one else to do it. But, it is another role to take on and means Product Managers have less time for all the other strategic activities in the Product Activity Framework.

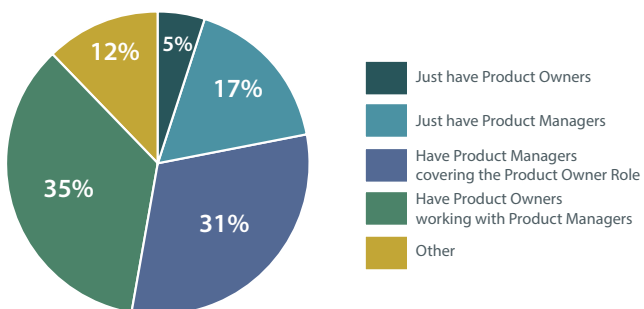


Does the Product Owner really own the product?



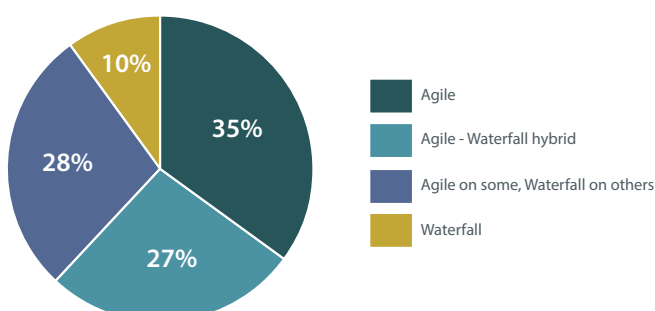
Many companies (and models like the Scaled Agile Framework – SAFe) recommend two roles. A Product Manager who can focus on the strategic product activities such as the high-level roadmap, commercial aspects, and making sure the product is a success. And then also a Product Owner working in Development on the detail of requirements, but taking high-level direction from the Product Manager.

When it comes to making decisions on what to build, our 2021 annual industry survey shows the split on who makes decisions. It also shows that most companies have both Product Managers and Product Owners.



Outcomes, not output?

Nearly all software businesses use agile development approaches like Scrum. From our annual industry



Source: Product Focus 2021 Industry Survey

survey, we know that 90% of companies use Agile in some way.

With Agile and Product Owners, our experience is that there is a danger that the focus becomes one of shipping code rather than ensuring that what has been shipped is bringing value to the business. The Product Owner job becomes one of priming the backlog with requirements to keep the development teams busy, without the time to understand the needs of market segments and whether what's being built makes sense for the business. This is when the product management role is really needed.



Key point

If you have Product Owners, you need to be clear on what the relationship is between Product Managers and Product Owners and who does what? If one person is covering both roles do they have the time to do both effectively?

If they are separate, how do you make sure they stay aligned so that the strategic and operational activities are going in the same direction?

Q4

How do you get buy-in from the rest of the business?

Even when you are clear on what you want product management to do, there are challenges getting the rest of the business aligned.

Your company probably already does product management!

If a company already has products, then some of the product management activities will already be taking place within the business. For example, each product needs a description and a sale price, and there needs to be a plan for future developments. Some of these activities will need to move into product management. Unfortunately, the people currently doing these activities are often reluctant to give them up!

Business alignment

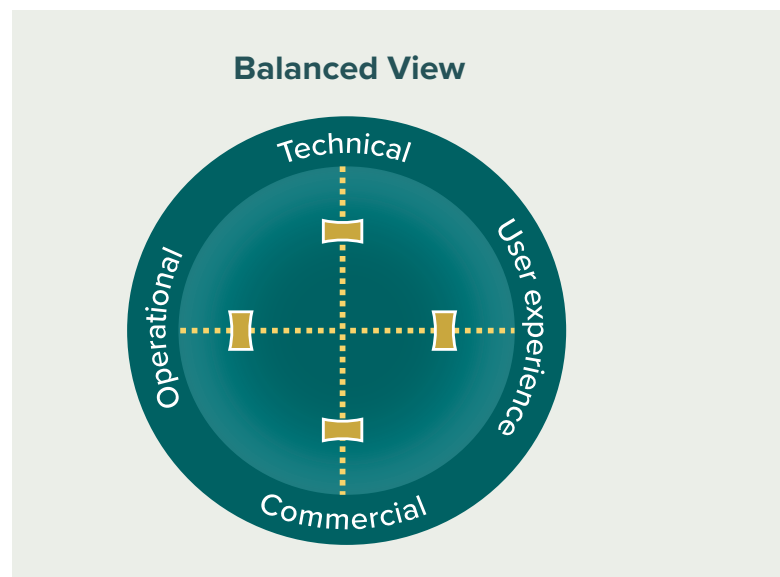
Getting the rest of the business to support product management is not easy. It needs high-level support and a clear articulation of the value that strong product management can bring to the business.

We believe that product managers in a leadership role deliver more value to their business as they take on accountability and drive product success. This means that they provide direction to the business, focusing resources on their product's most promising options. They bring the company strategy to life through their products.

Adding this leadership role into a business means taking some decision-making authority away from others in the business. Believe me, this often isn't very popular! I recall one discussion with the CTO of a client who was introducing product management. He was fully supportive, provided it 'didn't take away any of his decision-making authority for the product.' Clearly, his expectation was for a product manager who would work on operational issues but not make any decisions.

A balanced view

To have credibility, it's important that product managers have a balanced, rounded view across all the different aspects of their product – commercial, technical, operational, etc. This allows them to make or recommend objective decisions for their product, based on what's best for the business.



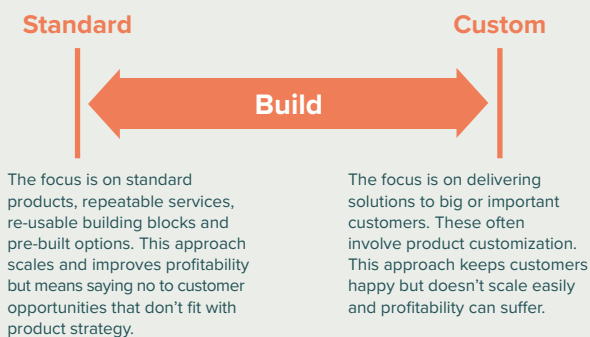
Let me give you an example of why this balanced view is so important. Imagine you have a new product coming up to launch. But you find there is a technical problem which impacts on the user experience. Someone (the Product Manager) needs to recommend or decide whether to delay the launch or go ahead.

The commercial impact of missing out on early adopters, or giving the competition a head-start, may be more important than the impact on customer perception from your poor user experience, or the operational impact of more customer support calls. As a Product Manager, you have to judge based on an assessment of all the different aspects of your product.

Guardians of the mantra – ‘build once, sell many times’

The other key aspect of product management is the idea of ‘build once, sell many times.’ This gives the economies of scale and profitability that make the product business model so attractive. It’s the very essence of a product business and product managers need to be constantly pushing for, and guarding, these efficiencies.

The Standard/Custom Continuum



A classic problem in B2B companies is doing too much customization on customer deals. Support costs start escalating as multiple product versions and code streams proliferate. That’s when a product manager needs to step in and target the business on a small number of key market segments, as well as understanding how to do things in more re-usable, and repeatable ways.

A product approach not only improves profitability by reducing costs in development, support, and other areas - it can also give the opportunity to build valuable Intellectual Property. And a product approach also gives companies more control over their strategy and direction. They control which products and markets they target rather than just responding to whatever customer happens to turn up.

Customers like products too. A product has usually been tested out by lots of other customers so it’s a proven solution to their problem. They can go on a website or speak to a salesperson to understand exactly what the product is. And they will assume

they are getting value for money as costs are spread across all your customers. Another benefit is that standard products are supported by an ecosystem of other products and services which customers can take advantage of.

However, bear in mind that some B2B companies make a great living from customization. Enterprise Resource Planning (ERP) companies like SAP are very successful and profitable businesses. Customization is a key part of their proposition and a major chunk of their revenue as well – it makes their product stickier too!

Evangelizing product management

A key activity for the new leader of product management is to evangelize the value it will bring to the business. This needs doing at both the management and operational level. It might be through company-wide webinars or attending meetings of key functions like Sales or Development. Another approach we’ve seen is to have a Product Management Manifesto - one slide that all Product Managers use to explain and sell the value of what product management does as they work across the organization.



Key point

You need to get buy-in from senior management and the key teams that will work with product management.

This needs to be vocal top-level support and also a ground-up charm offensive with the people and teams that product managers will be working with day-to-day to get things done.

Q5

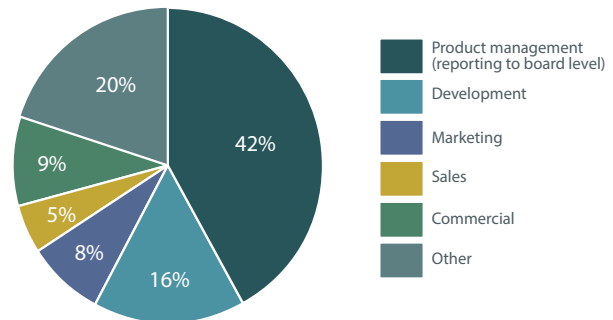
Who do you hire and where do they report?

It may be that you are tasked with setting up product management and deciding who will become the first Product Manager. That can be challenging if you're from within the business and have little or no formal product management experience. But, it's even harder if you're new to the organization as you have to first build your company knowledge, relationships and political capital to be effective.

If you're hiring someone external, we've seen it go two ways – either a senior product manager is brought in who has the experience and know-how to take on a leadership role, or a junior product manager is hired to pick up some of the activities that are getting dropped.



It doesn't make sense for a junior product manager to report to the CEO, so they are put into Development, Marketing or Sales. The danger then is that they become a support role for the primary objective of the department. If they report into Development, their focus will tend towards collating requirements and project-managing deliveries. If they report into Marketing, chances are they will spend much of their time providing content for market communications, and if they report to Sales, they will be used for demos and sales support.



Source: Product Focus 2021 Industry Survey

The other option (if you're looking externally) and the one we recommend, is taking on a senior product manager who can provide real product leadership. It's a big role to understand the market, articulate the product vision, and balance short-term imperatives with long-term strategic goals. It also involves arbitrating between Development, Sales, Finance, and Marketing to make the best product decisions for the company. It's a senior role that needs senior-level sponsorship – ideally reporting to the board.

From our annual industry survey, we know that 42% of Product Management departments report directly to the board, which we think helps them make independent and unbiased product decisions.



Key point

If you are taking on setting up product management, make sure you get the expert support needed to do it right. And if you're hiring, do you take on someone senior to provide leadership, or someone more junior to work on specific tasks?



Hiring the first product manager – a story

(Any similarity to your company is completely coincidental!)

Your company was founded on technical excellence. That's what you're good at - and the company has been very successful for many years.

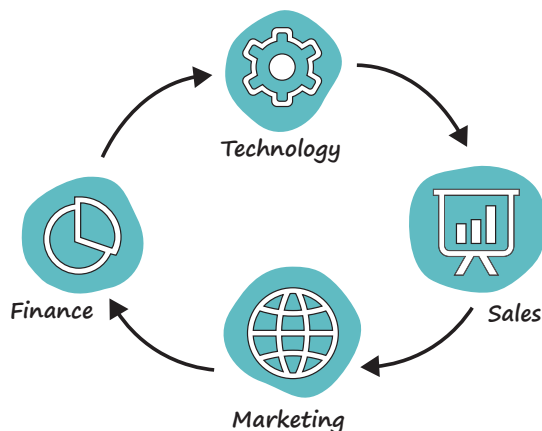
But, a new Sales Director joined and complained, "**We're a technical-led company. We need to become customer-driven.**" And that sounded fine except... every new contract required custom work. You signed a dozen clients from a dozen market segments, and the costs to support all these different products started to escalate. The latest customer's voice always dominated the product plans. You concluded that "customer-driven" meant being driven by the latest customer, which couldn't be right.

When a board member declared, "**We've become a sales-led company. We really need to start being market-driven.**" You hired a brand specialist away from a big consumer product company to be your VP of Marketing. As part of a re-branding initiative, she designed a new corporate logo with a new color scheme for the website and new collateral you spent millions without any change in revenue.



Everybody wants product management to sort out their problems

What do senior management think?



Soon the CFO whispered to the CEO, "**Don't you think it's time we started controlling costs?**" So the company became cost-driven and started cutting all the luxuries out of the business, like travel, bonuses, and award dinners. Everything had to be justified with a business case, and the Finance Director was tough on any assumptions – the only things that got past him were small evolutions of existing things - innovation stalled!

At this point, when Finance goes too far, the CEO steps back in. They're tempted to take the company back to its technology roots, but they know that might not be the way ahead – so they decide to recruit a product management team. They tell the board of the decision announcing that product management will guide the direction of products. The CEO is really busy but still likes to stay involved in making decisions about the products they know and love. They think that product management will allow them to keep an eye on what's going on whenever they feel like getting involved.

The Head of Development welcomes the idea and makes a pitch for the new team to work in his department. He thinks the reason to spend money on product managers is to make sure his team builds the right stuff – so product managers should sit with his guys and be available to answer any questions they have. Anyway, that's what the Scrum methodology says they should do. But the Head of Sales is also keen. Her team can't answer the tough questions customers are asking. Product managers should sit in their area and help close sales. The perfect PM should help write customer proposals and come out on sales trips whenever they're needed.

If you'll remember, Marketing, who lost credibility with their splurge on branding, is also having problems with the collateral. Their vague product brochures and website content don't seem to hold customers' interest and come in for a lot of internal criticism. She sees product management as a solution – "**they can tell us about the product**". She argues that the real value of product management will be to provide product messaging and propositions for the collateral, and they should work in her team.

Finance also see an opportunity. Finally, there'll be someone to hold accountable for whether each product is actually making any money. The CFO immediately starts work on a new, complex business case spreadsheet that the product manager will be tasked with completing and comes up with detailed KPIs that the new product manager will measure for him!

As a new product manager, everyone has their own view of what product management should be doing – and it's working for them!

Q6

What tools, processes, and learnings are needed?

To ensure product management is equipped for success, you need the right tools, processes, and learning to be effective.

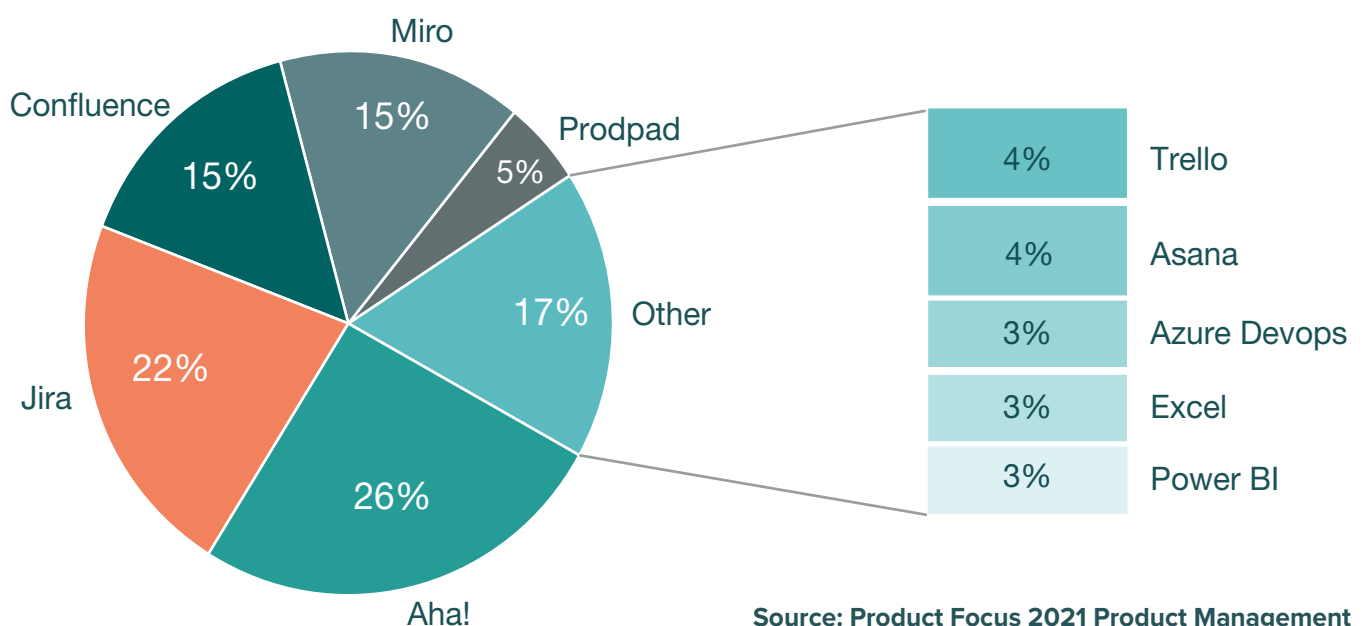
Tools

In our annual industry survey, we ask people about their job. We also ask what tools are used for key activities such as market analysis, planning, and roadmapping. While generic office tools still dominate (Excel, PowerPoint, etc.) there are other online tools designed for product managers that are gaining prominence.

You can see the tools that respondents would definitely recommend in the pie chart below. But, don't be blinded by the need to buy online software tools. There are hundreds of simple, best practice checklists, and templates that product managers can use to be effective when product management is first introduced.

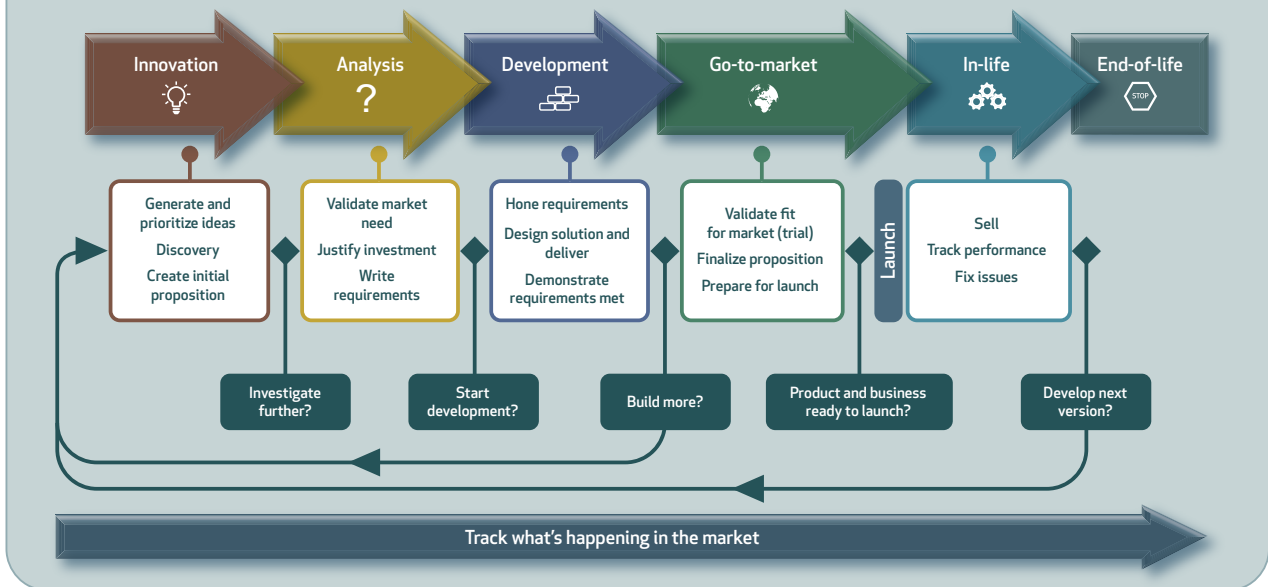


Is there a tool you would definitely recommend to product managers?



Source: Product Focus 2021 Product Management Tools Report

Product Management Lifecycle



Processes

Getting the processes right provides the framework that enables product managers to deliver. In any business there are a wide set of processes but one that is essential in product-based businesses is the Product Management Lifecycle.

It may not be formalized, but it covers the process within the business of coming up with product ideas, bringing them to market and managing them in-life. You may already have a development process that covers part of this.

You can use tools like these to discuss the product governance process. It can help establish who is involved in decisions to invest in a product, to understand what information they will need to make these decisions, and to agree on the logistics of how governance will run.

Should you have a 'Product Board', how often should they meet, and who should attend? Is decision making quick enough, and where does accountability sit? How do you avoid scattergun decision-making?

While there's no single process that's best practice for all organizations, Product Focus regularly run reviews with clients that provide insight into what would work best in their business.

Learning

Product management is a high-profile role. A new product manager is going to be under the spotlight and will need to quickly demonstrate their value to the business. The best way to ensure they hit the ground running is to get them properly trained.

When setting up product management, we often find that a senior manager attends our training first to understand best practice and how things could work within their business. They then send their product people on our training courses.



Key point

If you're setting up product management, make sure you get the tools, processes, and training to ensure success.


Conclusion

Product management often gets introduced as small businesses grow, or as larger businesses work to become more efficient. They know that the economies of scale of the product approach – ‘build once, sell many times’ – doing things in repeatable, reusable ways make financial sense to the business. Ensuring that product management works well is key to making a business more scalable and profitable.

Introducing product management will mean changes to current ways of working and to the responsibilities of people in the business. These

changes don’t come easily, and it’s critical that the most senior members of the management team are bought into the need and value of the role. They will need to sponsor and support the fledgling team.

Product Management, if done well, is a key function that helps make the business more profitable. And, it’s most effective when it is in a leadership position working in collaboration with the rest of the business.

A man in a blue suit is speaking to two other people in a meeting. He is standing in front of a whiteboard with diagrams. One person is holding a yellow sticky note.

“ Strong product management means better strategic insights, more profit, and less waste.

References

- [1] **2021 Product Management and Product Marketing Survey**



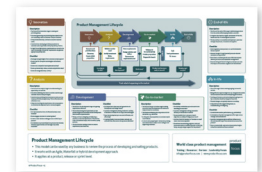
- [2] **2021 Product Management Tools Report**



- [3] **Product Activities Framework**



- [4] **Product Management Lifecycle**



- [5] **Product Management Journals**



product

focus

About Product Focus

Product Focus are global thought leaders in product management and European leaders in product management/marketing training and consultancy for technology-based products.