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PRODUCT MANAGEMENT GUIDE

A WHITE PAPER FROM SEQUENT LEARNING NETWORKS
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INTRODUCTION

The purpose of this paper is to highlight the need within corporations for a robust, flexible product management model in product and service companies. Such a model is important because it provides a framework and tools to rationalize product management processes across the firm and across the firm's functional organizations. The framework also represents Sequent's approach to product management and serves as a foundation for Sequent's product management curriculum.

The business world has certainly seen its share of turbulence over the past couple of years, and the impacts across corporations have indeed been dramatic. Some recent business trends have significantly impacted the way in which products are managed. Here are some of those trends and the corresponding impacts on corporations and how they manage products and services:

Business Trend	Corporate Impact
Business down-sizings	Loss of core business management competencies and critical resource mass
Mergers/acquisitions for the purpose of market, product line expansion, or operational efficiencies	Strategy, process, and culture confusion, and loss of knowledgeable staff due to job eliminations
Overindulgence in "new product projects" driven by technical organizations. Rewards shift from business people to technical people	Loss in market, industry, customer, and competitive assessment skills. Loss in ability to manage products in-market and in product line P&L management expertise
Expansion of distribution channels and associated supply chains.	Unfamiliar channels to many product and market managers cause channel conflict. Loss of marketing/sales cooperation and communication

The actual practice of product management is interpreted differently across corporations. This interpretation is often the result of the functional orientation of the people who are in charge of the firm's products, brands, or categories. The reason is that there is very little in the way of a product management body of knowledge taught by institutions of higher learning, and often no standard internal product management training programs inside corporations. Universities teach core business functions such as marketing, engineering, accounting, etc., but few if any have product management included in their course offerings. Companies have large R&D or Development organizations, or large Marketing organizations, usually with someone trained or very experienced in those disciplines in their upper management leadership positions. Most companies have product management staff reporting into one of these "standard" business functions such as Marketing or Engineering. Product Management is rarely an organization unto itself.

After years of benchmarking companies and conducting training for more than 1,500 practitioners, we've learned that people in charge of products and services manage those products within the context of the paradigms of the functions from which they've come (like engineering, marketing, finance, operations, sales, etc.), according to the urgent things they perceive as needing attention, and those tasks on which they perceive their management needs or wants them to focus. In one particular interview with a product manager at a large pharmaceutical company in 2002, we heard the following lament:

> *Paraphrased: 'I came into this job after three years in the field (sales). It took me 6 months to figure out what was going on and another 6 months to be productive…I just don't know whether I was doing the right things right or the wrong things right…there's no one to learn from because everyone has the same issue…I can't wait to finish this and get back into the field.'*

How then, can a uniform approach be derived for managing products and services if there is no standard body of knowledge and no uniform training curriculum? This is the reason Sequent Learning Networks' curriculum was created: To rationalize the processes and work flows by providing a foundation – a body of knowledge which positions the product management function in an appropriate way within the business enterprise. This body of knowledge includes a straightforward product management business model, a standard process for introducing and managing products and services, and some underlying best practices.

To explain this body of knowledge, this paper is divided into four sections.

1. The role of product management
2. A context for product management
3. The product management business model and process
4. Best practices for product management

THE ROLE OF PRODUCT MANAGEMENT

Product management is a unique function. We believe that product management is a role which involves the oversight of multiple business functions. The Product Manager is therefore:
   a) A person appointed to be a proactive product or product line 'mini-business' owner
   b) A leader of a cross-functional product team – a team whose mission is to optimize a product's market position and financial return across its life cycle – consistent with corporate and division strategies.

Linda Gorchels, in "The Product Manager's Handbook" uses the following definition of the role of a product manager: "The overall responsibility of the product manager is to integrate the various segments of a business into a strategically focused whole while maximizing the value of a product by his or her knowledge of changing market needs and championing the processes involved in bringing the product to the served market." Ms. Gorchels also emphasizes that the product manager and his or her team are accountable for ensuring that all revenue and profit goals for the product are met over the life of that product.

CONTEXT FOR PRODUCT MANAGEMENT

The role of the product management is somewhat misunderstood because its definition varies across companies and across industries. Furthermore, roles and responsibilities may not be well articulated in any given company, and the absence of legacy documents leaves new or transferred product managers without the perspective they need to do their jobs. The product management function can first be

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described in terms of the kinds of work that needs to be done. Three distinct '**areas of work'** exist for introducing and managing products in a corporation:

1. *New Product Planning*
2. *New Product Introduction*
3. *Post-Launch Product Life Cycle Management*

Having this holistic perspective on how products are conceived, developed, and finally managed after introduction into the marketplace helps establish a broad understanding of what typically happens across the entire life of a product. The model illustrated below shows how each of these areas of work is sequenced:
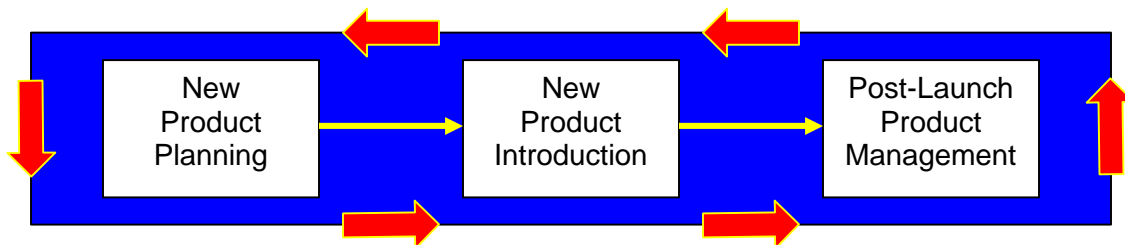
New Product Planning involves sifting through new product ideas, evaluations of new features, and possibly new market entries. It includes planning enhancements and derivatives of existing products as well. This work includes ideation activities, concept screens, product feasibility assessments, business case preparation, and overall product definition.

New Product Introduction involves actual product development (creating the product) activities, cross-functional team management, product launch, and ensuring the on-time delivery of product. This is the execution of all new product planning work.

Post-Launch Product Management involves strategic and tactical management of products which are already in the market, adjusting the marketing mix, and influencing new product plans for derivatives, line extensions, new features, new markets, etc., as well as inputs to plans for replacement products.

Corporate Work Flow

All strategic and operational elements of a business enterprise must be in place and aligned properly for product investment and management decisions to make sense and be implementable by product managers and their teams. The corporate work flow enables the product manager to understand his or her role in the organization. The reason this work flow is so important is that if a product manager is responsible for the profit and loss management of a product, then he or she must understand the corporate mission, its strategies, etc. Without this work flow as a context, it is not possible to know what kinds of thing he or she must do.

1. *Company type*
2. *Corporate mission*
3. *Corporate goals & objectives*
4. *Strategies*
5. *Work structures*
6. *Business or portfolio plans*
7. *Product roadmaps*
8. *Product plans*
9. *Profit & Loss management*

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In order to clarify this perspective, here are some contextual definitions:

Company type: According to Philip Kotler, "A business must be viewed as a customer-satisfying process, not a goods-producing process. Products are transient, but basic needs and customer groups endure forever." Therefore, it's important to define a desired company type in as broad a way as possible to leave open the door for business growth and expansion. Examples of narrow versus broad business definitions include:

        a. Automobile company vs. "transportation company"
        b. Pharmaceutical company vs. "life-sciences" company
        c. Bank vs. "financial services" company

Company type is important in determining the kinds of products that might be provided, or the kinds of markets that could be pursued if the company were defined in as broad a manner as possible.

One other dimension of company type is its orientation toward products or projects. Many companies focus only on the completion of specific projects, one at a time. Others position themselves as product companies which deliver standard products and services designed to meet specific, but broad market needs. Sequent's focus is primarily on product companies, those that create and deliver products to satisfy specific market and customer needs.

Corporate Mission: The explicitly stated, desired or actual purpose of a company, expressed in a broad, task oriented form such that it will encompass the ultimate boundaries for the company's operation and ongoing direction.   A company's people must be able to internalize and articulate this so that they can understand how the work they do helps fulfill the corporate mission.

Corporate Goals & Objectives: Specific statements derived from the corporate mission regarding desired accomplishments over time, e.g., improve market position, by "x"% by "y" date.

Strategies: Actions planned or taken to achieve objectives, both long and short term. Webster expresses strategies in terms of war, e.g., "actions undertaken to overcome an opposing enemy force." Consider competition an appropriate enemy force in this context.

Work Structures: The specific manner in which the people resources of a company are organized to achieve the goals and objectives through execution of strategic and tactical plans. This is directly related to what we expressed before.   If all organizational structures (business functions), are understood, people will have a better idea of where they fit.   Some companies are organized purely along functional boundaries. Even if functional representatives work on teams, the functions often prevail over the needs of the team. Other companies organize their people in true, matrix-managed, cross-functional teams. These cross functional teams act as a mechanism to communicate and make decisions on behalf of the product or product line. Each participating functional member contributes as a participant in team decisions, and those decisions and activities of the team prevail over any individual functional group.

Business/Portfolio Plans: Explicit directions for creating or evolving business units or product lines. Although these plans are ongoing, they are usually developed for and measured against specific time periods. These plans must be capable of being aggregated or disaggregated into broader or more narrow groupings as needed.

Roadmaps: Long-term evolution plans for product lines or products, based on market, competitive and technological drivers.

Product Plans: Explicit directions for introducing and/or managing individual products or services.
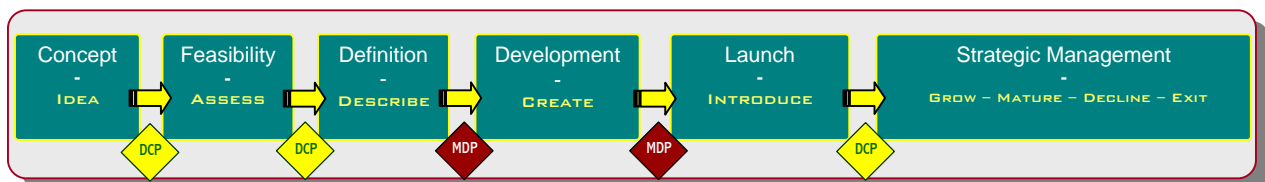
The context for product management is not only important for figuring out what has to be achieved within the product management function, it allows product managers to assess what they need to do, when, and with whom.

THE PRODUCT MANAGEMENT BUSINESS MODEL AND PROCESS

Running as an undercurrent to the three areas of work is an overall "business model," including a best-in-class process or set of procedures for introducing new products – we use a phase-gate model – and procedures for managing products after their launch.

First, a note on processes: Not everyone adapts easily to a new business process model. In some instances, product managers, marketers, or engineers may resist a process or procedure due to the inherent non-repetitiveness of it. At the other extreme, some may find the process a safe guide. We do know that an individual's personality type and the job they have actually can impact how they interpret a process or procedure.   Task oriented individuals like the idea of fixed lists of things to do.   Creative individuals may feel that a process or procedure constrains creativity. People should simply consider the process as a framework. It's a method and an approach to figuring out what needs to be done and when it needs to be done. When executives support the model, and when everyone signs up to follow the process, they all know when they're supposed to participate, and to what extent. This is a great way to guide a cross-functional team, and it's a great tool for a product team leader to focus the team on the matters and priorities at hand. Finally, it's about productivity and efficiency.   By measuring cycle time (idea to commercialization), organizations can establish metrics on which to gauge their performance and fine-tune their process model for greater efficiencies.

Phase-gate processes have been utilized for decades by companies seeking to improve cycle time or time to market. What we'll do in the following paragraphs is describe what happens in each phase within each area of work, using Sequent Learning Network's version of a standard phase-gate process for new product introduction.   The diagram (Model A) represents the flow of work through the phases and gates. There are 5 phases in this version of a standard phase-gate process: concept, feasibility, definition, development, and launch. The gates are shown as diamond shaped "decision checkpoints" between the phases, and represent the decisions which either allow movement of a project idea to a subsequent phase (for deeper exploration or additional work) or stop the project from proceeding.

Concept - IDEA	Feasibility - ASSESS	Definition - DESCRIBE	Development - CREATE	Launch - INTRODUCE	Strategic Management - GROW – MATURE – DECLINE – EXIT

DCP = Decision Check Point
MDP = Major Decision Point

This model (Model A) is linear in nature and assumes a natural progression whereby each phase has an input, a set of activities, and an output. Other variants on this model are used in Sequent's curriculum to depict flexible adaptations based on project type.

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Now, we're going to look under each area of work and the corresponding phases and gates.

New Product Planning Phases

Concept phase work includes assessment of ideas for new products as well as for line extensions, feature enhancements and product derivatives, or new market entry with an existing product. It is a rapid screening process where the dimensions of market size, revenue potential, competitive posture, and differential advantage are examined. The output of this phase is an 'opportunity assessment.' At the conclusion of the phase, a decision review takes place (at the decision check point or DCP). At this point, either the concept/idea will proceed to the next phase, or be rejected and further work stopped.

For ideas that pass the screens of 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 an opportunity assessment and the output document is a preliminary business case or feasibility study. If a project is considered feasible (possible) from a deeper assessment of economic, market, technical, and economic points of view, it can move to the product definition phase. If it does not meet the established criteria for acceptance, the project is stopped.

Product definition activities focus on a deep dive into the market, competitive, technical, resource, and operational dimensions of the prospective program. In this phase, the product requirements and business capabilities needed to actually develop and launch this product are more deeply considered. The major funding for development is tied to the successful outcome of this phase. A final business case 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.

These three phases within the area of work called New Product Planning is punctuated by decision points or gates. At each gate, a decision is taken as to whether or not to proceed to the next phase. In many companies, many new product or project ideas seem to accumulate, with a feeling that too many projects need to be done with too few resources. Sequent's classes help participants learn how to screen these projects to ensure that the right products for the right markets are defined, approved, and developed.

As a guideline, product team leaders managing product planning activities will benefit from experience and training in the following skill areas:

- Business planning
- Strategy interpretation and alignment
- Market and competitive assessments
- Business case
- Financial planning and analysis tools
- Product roadmapping
- Ideation or idea management

New Product Introduction Phases

The **Development phase** begins after the project is approved and funded. It is the critical time of program execution as the product and all supporting materials and documentation are built or developed. It can be characterized by a series of projects or sub-projects, depending on the industry. It could include software development, manufacturing, R&D, or other programs involved with the actual delivery of the product in accordance with the product requirements. The cross-functional teams involved during the development phase may include product development, quality assurance, marketing (in launch planning), manufacturing and or supply chain, and other key areas.

The **Launch phase** usually begins early in the development phase (note the diagram below), and involves the activities used to bring the product to market. The launch is an integral part of the product management process, so it has the oversight of the product management organization. The launch is an intense cross-functional team endeavor. However, management of the launch is often heavily driven by the Marketing function and represents an orderly sequencing of activities and events. This sequencing can be looked at in the form of a checklist and project plan. (To learn more about product launches, and to review the checklist take a look at Sequent's *Launch Guide and Checklist* available at www.sequentlearning.com under Templates & Guides).
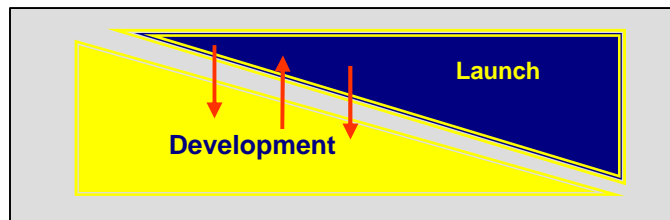
Product management practitioners should participate in development and launch reviews to assure that the product conforms to the requirements and can be launched in time to hit the market window. It is possible that minor changes to the product requirements might be called for in addition to adjustments to the business case or other functional department supporting plans.

Product management professionals who focus on product development oversight will need some of the following skill sets:

- Project management
- Understanding the role of product use testing in validating the product definition
- Interpreting product requirements
- The business case
- Communicating and partnering with Product Development
- Managing scope
- Cross-functional team leadership
- The content of the marketing plan and working with Marketing

After the product is launched into the market, the product manager begins to focus on the area of **Product Life Cycle Management (PLM).** The goal during the phases of PLM is to optimize the performance of the products within the context of the strategies of the firm. Further, PLM is characterized by the strategic management of products and services, including adjustments to the marketing mix (product, price, promotion and channels), with broad oversight of Marketing, Customer Service, Finance, and Operations. Product team leaders should be adept at leveraging the membership of the cross-functional team. Often, PLM is characterized by 'blocking and tackling," fire drills, and other urgent tasks and activities. This job serves to frustrate 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.

PLM is further characterized by intense information collection and sharing. 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 skills of product managers in the encouragement of efficient, rapid communications among team members.

Some of the functions which should be represented on the cross functional team include:

Market research: customer satisfaction, buyer behavior, usage, etc.
Marketing: market share data, competitor activity, pricing shifts
Customer service: complaints or trouble reports, quality issues
Finance: sales, sales mix, costs, expenses, and profitability
Sales: feedback from customers, new product ideas, product performance
Manufacturing and supply chain: production costs, supplier performance, logistics, inventory

Remember, the ammunition derived from information provided by the team helps the team, led by the product manager, to formulate strategies to influence the marketing mix, and thus, to optimize the performance of the product in the market.

BEST PRACTICES

The model shown below is Sequent Learning Networks Product Management Life Cycle Model and represents Sequent's framework for product management. We've discussed areas of work, phases and gates. Some of the more common best practices areas that we teach are shown in this model, but many others exist and can be applied as the situation and type of product or service dictate.

The process model diagram shows:

Areas of Work: NEW PRODUCT PLANNING | NEW PRODUCT INTRODUCTION | POST-LAUNCH PRODUCT MANAGEMENT

Phases - Gates:
- CONCEPT - IDEA
- FEASIBILITY - ASSESS
- DEFINITION - DESCRIBE
- DEVELOPMENT - CREATE
- LAUNCH - INTRODUCE
- STRATEGIC MANAGEMENT — GROW – MATURE – DECLINE – EXIT

(Gates: DCP, DCP, MDP, MDP, DCP)

Cash Flow: (cash flow curve)

Best Practices:

MARKET & COMPETITIVE ASSESSMENT	BUSINESS CASE	PHASE-GATE PROCESS	FUNCTIONAL SUPPORT PLANS	MARKETING PLAN	VOICE OF THE CUSTOMER
POSITIONING & VALUE PROPOSITION	PRODUCT DEFINITION & REQUIREMENTS	PRODUCT MASTER PLAN	CROSS FUNCTIONAL TEAMS	PRODUCT LAUNCH	CUSTOMER RELATIONSHIP MANAGEMENT
STRATEGIC PLANNING	PRODUCT MANAGEMENT MATH	PRODUCT & TECHNOLOGY ROADMAPPING	PROJECT MANAGEMENT	PARTNERING WITH DEVELOPMENT	MARKETING MIX OPTIMIZATION

As you progress through the process model, you'll be applying best practices in varying degrees. For example, the positioning statement, an early product planning activity, will be tested and validated (or invalidated) all the way through the launch, and even throughout the life cycle of the product. Market and Competitive Assessments run as an undercurrent of activity throughout the entire life cycle of the product, and the Product Master Plan is a guiding document integrating multiple functional department plans (e.g., Marketing Plan, Development Plan, the Business Case, etc.).

Although it would take a considerable amount of time to describe each and every best practice, from this paper, we believe you'll come away with a sense of what a best practice is and how it is applied.

Some of the best practices we teach are supported by templates and tools archived on the Sequent Learning Networks website (www.sequentlearning.com) under the link entitled "templates and guides." Some of these include:

1) Business Case Template
2) Marketing Plan Template
3) Launch Plan Guide and Checklist
4) Opportunity Assessment Guide and Template
5) Product Positioning Guide and Template

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We frequently add other templates and tools, so check the website often.

SUMMARY

Managing products and services is both art and science. No matter which discipline you come from, if your teams adopt this robust, flexible framework, your company will have a better chance of making the right decisions to get the right products to the right markets at the right time.   Sequent Learning Networks offers a complete product management curriculum. No other training company in the world offers this comprehensive, holistic view of the life cycle of products and services.

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