MASTERING PRODUCT MANAGEMENT

A STEP-BY-STEP GUIDE

KEVIN BRENNAN

Mastering Product Management: A Step-by-Step Guide.

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PREFACE

Mastering Product Management: A Step-by-Step Guide offers practical, real-world advice on the most important things a Product Manager will be involved with, and will deliver, in the quest for creating and capturing value. It covers the full new product cycle, from idea discovery through product end-of-life. Each section is short and concise, around two to three pages. Rather than dive deep into the theoretical background of a given area, the focus is on the critical steps a Product Manager would take to complete a given task.

Whether you're beginning your journey in product management or a seasoned practitioner, this book will help guide you through key activities and reorient you when necessary. The last section includes advice specifically for leaders of product teams and organizations. Although the focus of this book is on the management of technology products, the topics have broad relevance across industries.

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SETTING AN INNOVATION STRATEGY

An innovation strategy is a master plan that guides the overall company, business unit, or product line innovation effort. Without the guidance and focus of an innovation strategy, business results usually suffer. Innovation efforts can be ad hoc, and often are operated independently of one another resulting in an incoherent collection of innovation projects. New product and service concepts emerge that seem attractive in isolation, but ultimately end up terminated as the company realizes that these ideas do not "fit" with the company's mission and competencies. Time and other resources are squandered. Overinvestment in the existing business is common as innovation efforts revert to the company's comfort zone. An innovation strategy brings focus and clarity to the innovation efforts, thereby increasing the probability that the company, business unit, or product line will successfully achieve its business goals. This section describes the key steps when creating an innovation strategy for a product line. These steps are also equally applicable to the company- or business-unit level.

Identify how innovation supports the product line strategy and goals. Consider and define how innovation is connected to, and supports, the overall product line vision, mission, and strategy. What role does innovation play in meeting the product line business objectives?

Define the level of innovation investment in existing and new areas. Broadly speaking, the product line can invest in innovation related to its current business model and innovation related to new business models. For new business models, innovation can be "adjacent," involving expansion into new-to-the-product-line businesses or "disruptive," creating new-to-the-world markets and products. These are often referred to as Horizon 1 (existing), Horizon 2 (adjacent), and Horizon 3 (disruptive) innovations. The innovation strategy should define the relative investment in each horizon. For example, the strategy may dictate that "The product line will invest 60% of the innovation budget in Horizon 1, 25% in Horizon 2, and 15% in Horizon 3 innovation."

Create innovation goals and objectives.
Goals provide a sense of purpose and direction and are broad in nature. Therefore, goals do not have to be specific enough to act on. Notably, innovation goals support the overall business unit or product line goals. Innovation objectives, on the other hand, are specific, precise, and easily validated. Objectives guide decision-making. For example, clear objectives help answer questions like the following: "Does focusing on this product, feature, customer, or partner help us achieve our innovation objectives?" Goals and objectives should be set for the existing business (Horizon 1) and new business (Horizons 2 and 3).

Establish innovation guidelines.
Guidelines provide direction for the teams working on innovation and define the types of innovation sought. Innovation guidelines serve as an initial filter to reduce the number of innovation proposals. Innovation guidelines can also serve as a guardrail to avoid exceeding a specific level of risk.

Identify "Strategic Arenas" to focus the innovation effort.
For each horizon, the innovation strategy should define the "strategic arenas" of focus: technologies, product areas, markets, etc. that the product line will and (as important) won't focus on. The strategic arenas will likely vary across each horizon of innovation. For each strategic arena, the innovation strategy should define how the product line will seek to participate in that area, for example, by being the first mover, a fast follower, the low-cost leader, a differentiator, or a niche player and how the product line will enter that arena, for example, internal product development, licensing, partnering, or acquisition.

Set an innovation budget.
The innovation strategy becomes real when resources are allocated to the different areas of focus; for example, each of the three horizons and strategic arenas.

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BUSINESS CASE

A Business Case is used to evaluate and communicate the opportunity presented by the new product concept. The Business Case identifies the "customer problem" that the proposed product solves, analyzes the particular target market and assesses its attractiveness, and offers a financial analysis of the opportunity. The Business Case enables the management team to access the new opportunity on its own merits as well as compare the opportunity to other potential investment opportunities. The Business Case is also an important tool to assist with educating other stakeholders and gaining support for the new product. The Business Case evolves over time and is updated as necessary, often beginning with high-level analysis and becoming increasingly comprehensive over the product life cycle as insight is gained from customers and the wider market. Often, the Business Case includes the first expression of key product attributes such as the high-level features and the pricing model, and these are subsequently broken out and detailed in dedicated documents or tools. The Business Case is typically written as a document or a presentation.

Assess the high-level product opportunity.

- **Business need:** A description of the target customer and details of the need or want that creates the opportunity for the product.
- **Current solutions:** How the customer currently satisfies the need or want.
- **Product description:** A high-level summary of the proposed product including key features and benefits. Details of how the proposed product solves the customer problem in a new and valuable way.
- **Alternatives considered:** A summary of different ways of solving the market need that were considered and why the proposed solution was selected.

- **Timing:** The high-level schedule for the product project, key timing constraints, and the anticipated lifetime of the product.
- **Strategic fit:** How the proposed product fits with, and helps achieve, the company or business unit goals.
- **Organizational impact:** How the project will affect the organization including organizational structure and processes.

Define and analyze the market for the product.

- **Market definition:** Characteristics, size, and growth of the target market. How the overall market is segmented and the target market segment or segments for the product.
- **Ecosystem:** A map and description of the ecosystem including suppliers, buyers, partners, and upstream and downstream ecosystem players. The value chain (who creates value for whom) and the flows of money in the ecosystem.
- **Trends:** Current patterns in the market that are creating the opportunity for the product as well as changes expected in the market over the lifetime of the product.
- **Competitive analysis:** A list of current and potential future alternatives; their features, benefits, and positioning; competitor strengths and weaknesses; and an assessment of the competitive advantage of the product.
- **Defensibility:** A statement about how to defend the proposed product against current and future competitors.
- **Barriers to entry:** An analysis of any key barriers to entry that exist in the target market such as competitor intellectual property, switching costs, economies of scale, and network effects.
- **Market attractiveness:** An assessment of the overall attractiveness of the market given supplier and buyer power, competitors, alternatives, the threat of new entrants, and other key attributes.

Examine the financial aspects of the product opportunity.

- **Economic Value to the Customer (EVC):** The sum of all monetary and psychological benefits of the product relative to the closest substitute.
- **Pricing:** The intended pricing model for the product.

- **Profit and loss statement:** An analysis of the expected revenue, costs, and profit over the lifetime of the product including the net present value of the overall revenue stream, showing the expected return on investment for the product.
- **Scenario analysis:** An assessment of potential future scenarios of the profit and loss for the product based on different assumptions to show the "expected" outcome as well as possible alternative outcomes. Often "best case" and "worst case" scenarios are considered.
- **Cash flow projection:** Details of when money is spent and received.
- **Break-even analysis:** An estimate of when the product turns profitable, in unit volume and time.
- **Market cannibalization:** Details of how the proposed product will impact other products from the company.
- **Opportunity costs:** Alternative opportunities that are being given up to pursue the proposed product.

Create a high-level plan and make a recommendation on the path forward.

- **Project plan:** A summary of the work needed to define, develop, launch, and manage the product for the full product life cycle including key milestones and estimates of resource needs from each functional group.
- **Recommendation:** A recommended course of action and guidance on the next steps.

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ONBOARDING

Onboarding is the process of integrating a new employee into the team and providing them with the information, tools, and training they need to be successful in the new role. Most companies have an established process for employee onboarding. This section covers the most important steps.

Create an onboarding plan.

Document what the employee will do over three time periods: the first week, the first month, and the first quarter. Often, the new employee will shadow the manager and team members to observe how key aspects of the job are done. The new employee can take on smaller tasks at first and build to more complicated assignments and autonomy during the first 90 days. Consider these areas in the onboarding plan:

- **Onboarding logistics**
  - Completing the new employee orientation.
  - Reviewing company-level material such as the employee handbook.
  - Accessing key company IT systems and tools.
  - Touring the building and location.
  - Sending a hiring announcement to the organization.
- **People**
  - Understanding the team, business unit, and company organization.
  - Meeting key stakeholders including the immediate team, the product team, the management team, and other key stakeholders including Sales, Marketing, Legal, Finance, and Operations. This should be done within the first 90 days.

    - Attending key meetings including team meetings, divisional or business unit team meetings, and project team meetings.
- **Product**
    - Training on the product line and individual products including technical training and training on the product strategy, the market, and the competitive landscape.
    - Training on the new product process.
- **Goals**
    - Other specific goals for the first 90 days.

Assign an onboarding partner.

An onboarding partner is someone other than the hiring manager who assists the new employee with onboarding. The onboarding partner should be a seasoned employee who can help the new employee in an informal, friendly way with day-to-day items that occur such as where to get lunch or where to find office supplies.

Prepare for the new employee's first day.

Contact the employee before their start date to welcome them and discuss logistics including orientation and where and when to meet on their first day. Ensure the employee's workspace is set up and ready and that all equipment (computer, phone, etc.) and accounts (email, etc.) are prepared.

Begin the onboarding.

Meet the new employee and review the onboarding plan. Discuss and plan how often you will meet during the first month, first 90 days, and after that. Discuss your management and working style with the employee including communication preferences. Plan an event to socialize the new employee with the team. Have the employee work through the onboarding plan and review the plan frequently together to discuss what has been completed, where there are obstacles the manager can help with, and any additions or modifications required to the plan.

ABOUT KEVIN BRENNAN

Kevin Brennan was born and raised in Ireland, where he completed his Bachelor of Engineering Electronic Engineering in 1999. He moved to San Francisco the same year and since then has worked in product management and product marketing roles at software and semiconductor companies, such as Dolby Laboratories and Cypress Semiconductor. Kevin has an MBA from Santa Clara University and a Certificate of Business Excellence (COBE) from the Haas School of Business at U.C. Berkeley. Kevin is a Product Development and Management Association (PDMA) New Product Development Professional and a Certified Product Manager, Certified Product Marketing Manager, and Certified Innovation Leader through the Association of International Product Marketing and Management (AIPMM).

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