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Silicon Valley Product Management Association
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NEWS

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Where Should Product Management Report

By Greg Cohen

A few times a year a product management friend will share with me that he or she is interviewing for a new position and really likes the company, but wants to know if it is OK that the product management team reports into engineering, sales, or some other department. When I started my career, I held strong views on this question and believed that product management should report into one of two places: marketing or the CEO. How else, I reasoned, could product management balance customer needs and the long term success of the company? Sales would force product management to sacrifice the roadmap for short term, opportunistic gains. Engineering, on the other hand, would subjugate the market needs for the technical agenda.

Experience is a great teacher, however, and that has made me sensitive to the fact that companies are complex organizations. The reporting lines and titles defined by a company's organizational chart are only a small part of how things really get done.

I once worked for a midsize company where product management reported into marketing along with customer support. I

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The Year of Living Dangerously: A Product Manager's Guide to Surviving the Transition to Agile Development with Rasmus Mencke of Salesforce.com

By Susan Monroe

To those of a certain age, the "year of living dangerously" conjures up scenes of Mel Gibson and Sigourney Weaver slipping through the intrigue-ridden back streets of Jakarta.

To Rasmus Mencke of Salesforce.com, though, the expression refers to transitioning from conventional waterfall-style software development methodology to an Agile environment.

In a presentation peppered with humor and controversy, Mencke addressed the factors that contributed to Salesforce.com making a company-wide shift to an Adaptive Development Methodology (ADM) as well as the results of that move.

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Who's Driving Your Company?

By Gabriel Steinhardt

Introduction

Every company claims it wants to deliver value to its customers, be profitable, and establish leadership in its core markets. Such assertions seem only natural and one would expect to be presented with a corresponding corporate strategy that supports such goals. However, closer inspection reveals that many companies often employ product delivery strategies that lead these companies far away from their business objectives.

Delivering products is a process that begins with a combination of innovation, technology, and market sensing. Each of these driving elements contribute to the initial product concept and its development, but over time, and depending on the company, some driving elements will demonstrate a stronger and more lasting impact on the product concept and its roadmap. This is not necessarily due to merit or market forces, but more commonly is an outcome of the corporate culture and business perspectives which dominate the company.

Certain corporate functions that embody the aforementioned driving elements take charge of directing the company's overall product delivery strategy. For example, in one U.S. software firm, a business unit manager noted: *"Marketing has had a relatively limited role in the past; technology is what has driven this company. We're a technology-oriented firm."* In contrast, in a U.S. packaged-goods firm, a marketing manager said: *"Engineering has absolutely no sense*

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of the consumer. They're a group of educated technology scientists who can do amazing things, but they need focus."

Corporate business goals and wants are relatively similar across diverse industries, but the methods they use to reach their goals vary greatly. This article explores these different approaches to product delivery strategies, known as technology-driven, salesdriven, and market-driven.

Technology-Driven: Take My Road

Some companies believe they know what is best for the customer. They operate under the notion that they can develop technology, design products based on that technology, and have entire markets buy their products because they are "technologically superior".

These technology-driven companies, whose product delivery strategy is determined by their engineering departments, often create products without thoroughly researching the market and without fully understanding the prevailing market requirements.

This sounds somewhat detached from end-user needs, and may very well be so, but a technology-driven approach has its advantages. It enables a company to rapidly deliver products to market since it skims and skips lengthy traditional market research, and consequently bases product design decisions on internal company expertise.

An example of a company who chose to strive forward with a plan to launch a new product in the market without having conducted market-research first is that of Sir Clive Sinclair, a British entrepreneur who was also a brilliant engineer and consummate salesman. Sinclair trusted his intuition for all his product decisions. At the time, he believed that the moment had arrived where the general public was sufficiently interested in electronic wizardry to provide for a completely new market of inexpensive and relatively simple-to-use computers. Without conducting any market research whatsoever, in 1980 he ordered 100,000 sets of parts so he could launch at high-volume his new ZX80 computer. By 1982, Sinclair's company revenue was £30million, compared with £4.65million the previous year.

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E-mail: **mike@svpma.org**

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Sinclair and his engineers had intuitively succeeded in assessing the combined potential of technological developments and changing consumer needs, as opposed to researching the market potential for an innovative product. Sinclair's business decisions proved enormously successful, yet very fortuitous.

Technology-driven products are often advanced and therefore appeal to early adopters and niche markets who seek the latest technological developments. Additionally, technology-driven products may also become a high-risk/high-reward venue to be favored by speculative investors. Such products await a triggering event that causes a dramatic surge in demand. Those events may range from the hypothetical (for example, future governmental legislation that would promote vehicles with fuel cell engines) to the actual (sales of survival gear when people were confronted with the spectra of Y2K [year 2000 computer bug] or the tremendous demand for security equipment post 9/11 [September 11th, 2001]). Nevertheless this is the problem with being technology-driven; it is a risky approach to delivering products. Adopting a technology-driven posture has, over time, proven low growth potential due to failure to implement proper marketing activities and because of the isolated manner in which products are managed. Many technology-driven products are characterized by having complex features or unnecessary features, and some technology-driven products are realistically unneeded.

At the 2004 Consumer Electronics Show (CES) in Las Vegas, Nevada, Gerard Kleisterlee, the CEO of Philips, quoted data from a Yankee Group survey: *"Thirty percent of all recently introduced home networking products sold today were returned to the store because the consumer could not get them to work, and forty eight percent of potential digital camera owners were delaying their purchase because they perceived the products to be too complicated."*

The conclusion is quite obvious. Although some may succeed with a technology-driven approach to product management and development, there is a bigger chance that driving the best technology to customers will not yield a prosperous outcome. This is simply because the company and its product are focused on providing better technology and not focused on closely matching customer needs and abilities with that technology.

Sales-Driven: A Cruising Taxi

A technology-driven company is focused on its technology and a sales-driven company is focused on maximizing short-term return on investment. Accordingly, the prime responsibility of most corporate departments in a sales-driven company is to help the sales channels with knowledge, ways to sell, and sales support.

Like a taxi driver cruising city streets looking for passengers who are heading to different locations, sales-driven companies cruise their markets seeking deals with customers who very often have different needs. Such as with the proverbial taxi driver who will deviate out of his way to accommodate the passenger going in the opposite direction, so will these companies alter their product's feature set in order to accommodate the particular wishes of a specific customer.

There is nothing fundamentally wrong with being sales-driven and providing custom work. Generations of tailors have sewn fitted clothes to people of different shapes and sizes, and scores of taxi drivers worldwide transport passengers to their varied destinations.

The advantage of being sales-driven is less risk because there are always unique business opportunities

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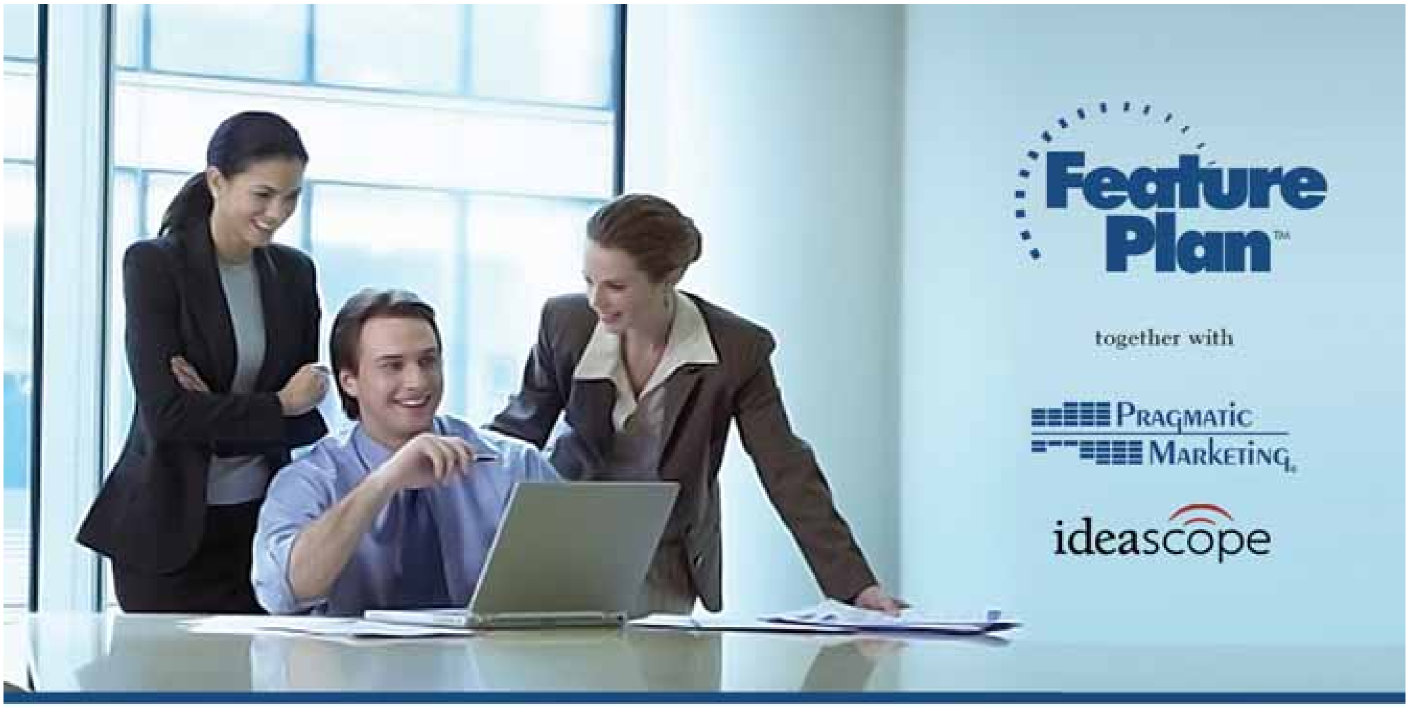
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and individual needs to satisfy. A sales-driven product strategy can be a lifesaver and used as a survival mode tactic if market segments start deteriorating or are in a chaotic phase which precludes targeted marketing programs. The downside is that a sales-driven product strategy is a short-term approach that does not build highly-sustainable product lines. Without those sustainable product lines it is very hard to build market leadership and promote company growth.

The eventual outcome of a sales-driven approach in high-tech companies is a plethora of product variants (produced via modification of core products) which are sold to different customers. These product variants are full of highly-individualized custom features that are developed, tested, documented, and supported. This situation invariably leads to resource duplication, wasted effort, loss of distinctive competence, and great difficulty in implementing product roadmaps.

Due to market dynamics, the majority of sales-driven companies struggle in the long run because there is nothing much to differentiate them from the competition, other than price which becomes their primary marketing tool.

Market-Driven: Driven to Success

To gain a status of being market-driven, a company has to engage its customers and listen to their needs. It is all a matter of timing since asking customers what they want during the sales process is not considered actually listening to the market. Being market-driven requires a proactive product management process; engaging customers before the product is planned, defined, designed and developed.

Only by taking a long hard look at end-markets and paying attention to customers' demands, before proceeding to develop a technology platform or products, can a company be regarded as one that employs a market-driven approach to product management and development.

A case of sales-driven culture posing as market-driven happened to Big Blue. IBM® was the dominant force in the technology industry and synonymous with innovation and cutting-edge technology. IBM achieved its leadership position through

a market-driven approach by using its massive sales force to determine customer needs. However, the company ran into trouble when it stopped listening for needs and began telling customers about its latest new product or technology.

Applying a market-driven approach demands commitment and discipline as it is a very procedural approach. Companies with an informal work culture and loose organizational structures fail at applying this methodology and so do companies eager to rush into the market because of the lengthy time involved in executing all phases of the market-driven process. But when a market-driven approach is properly applied, the result is a product that will solve a pervasive market problem in an established market segment, and for which customers are willing to pay. Experience has shown that rewards do come for those who patiently follow the course.

Market-driven companies produce sustainable products with visibly notable targeted value. The biggest reward is that a market-driven product helps establish market leadership and revenue-growth potential.

Summary

A study conducted several years ago by querying top marketing executives working at one-hundred leading

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Mark your Calendars!

Upcoming SVPMA monthly events :

- Oct. 1st, 2008 - Dominic Haigh, Agilis Software
- Nov. 5th, 2008 - Jim Yang, Linden Labs
- Dec. 3rd, 2008 - David Webster, IDEO

Upcoming SVPMA Workshops:

- Sept. 13th, 2008 - Niti Agrawal

For more information, please go to www.svpma.org

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U.S. technology companies, showed that despite all the talk about being market-driven and customer-focused, 54% of respondents viewed their company as actually being technology-driven. Companies do understand which approach they should follow and publicly declare it, but indeed it is hard to mend ways and transition because becoming market-driven will demand a painful shift in corporate culture and business practices.

For those who take the path, success is lasting. In the high-tech world (e.g. Microsoft®) and consumer goods industry (e.g. Procter & Gamble), a leadership position can be established and maintained by being a very effective market-driven organization that has superior skills in understanding, attracting, and keeping valuable customers with products that deliver real value. This is not just a cliché but a formula for success.

What ultimately prevails in companies is the understanding that product value is always determined by the customer, not by the company or its technology. This understanding in turn leads to the realization that developing technology that solves known market problems is better and more profitable than trying to discover markets that could possibly use an existing and newly developed technology. ⌘

Gabriel Steinhardt is a principal with Blackblot. For more information, please visit www.blackblot.com. This article is part of the "Strategic Product Management™" training seminar.

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August 2008 Event Review

Use Web 2.0 Tools to Build Better Products and Strengthen Customer Relationships with John Burton of SAP

By Helene Eichler

Web 2.0 tools are pervasive in today's social and business networks. So how do you use Web 2.0 tools to build better products and strengthen customer relationships? John Burton Director of Product Management for mySAP CRM Interaction Center tackled this question as he discussed four key Web 2.0 marketing tools to do the job. Burton stated the major benefit is that Web 2.0 tools now enable users to share information and collaborate.

These four key Web 2.0 tools are ones that product managers can use to leverage customer and internal inputs to build more intelligence into their products while making their lives a little easier. Kind of like relax (with a nice book and latte) while your customers do the heavy lifting. Sites like Dell's IdeaStorm and MyStarbucksIdea allows customers to suggest and vote on the best ideas; the SAP Community Network provides Discussion forums, blogs, wiki's with points-based ranking system that reward ecosystem experts. Point-based ranking has been very effective in motivating your key on-line contributors by rewarding with token prizes for their inputs.

He then defined and explained how the following four key Web 2.0 tools can be especially useful for product managers: Public discussion forums, online private communities, Blogs and Wikis.

Public Online Discussion Forums are public Internet discussions between your company and your customers and partners. Their main goals are to: entice experts in your ecosystem (customers, partners, consultants, etc.), answer questions, trouble-shoot technical issues for other customers, enable customers to find existing solutions or reach out to peers for real-time assistance, provide information on how to resolve most common issues and out-reach to customers for new requirements and product feedback.

Closed-Door *Private* Online Communities are a collection of web resources (such as discussion forums, articles, downloads, etc.) only made available to select users (e.g., your best customers) to share ideas in a safe, secure business network with built in governance. They enable customers to feel comfortable sharing semi-private information that they might not want released to "the street" or to competitors while at the same time protecting relevant IP information by mutual non-disclosure agreements.

Blogs are regularly updated, journal-style ***public*** web sites, sorted in reverse chronological order used to: entice experts in your ecosystem (customers, partners, consultants, etc.) to share their knowledge, success stories and experiences (even painful ones) of your products, push information and marketing messages to customers, collaboratively drive thought leadership and brand value together with ecosystem. They enable: customers to create marketing and sales-related collaterals (including online documentation and how-to guides) on your behalf since customers "sell" your products (often more effectively than paid internal sales force); and you to deliver marketing messages and other important information is a reader-friendly informative, casual style.

Wikis are a collection of web pages that people can edit or contribute to collaboratively to provide your ecosystem (customers, partners, etc.) with collaborative Web tools allowing Users to edit documents, share ideas, or monitor the status of a project. They:

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Events Around Town

FountainBlue's High Tech Entrepreneurs' Forum - *Trends in the Wireless Industry*

September 9, 2008, from 5:30 – 7:30 p.m.
Marriott Hotel, 55 4th St, San Francisco, across the street from Moscone Center.
Register for $30-40 at http://www.acteva.com/booking.cfm?bevaid=147312 by September 8 at noon

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reduce workload on your company's product management and information development organization, increase timeliness, relevancy, and accuracy of information about your products, and allow various customer experts to collaborate on documents and projects.

Summarizing his comments on the advantages to using Web 2.0 tools in your ecosystem, Burton also touched on the risks and how to manage them. He highlighted that disgruntled employees, customers or competitors may abuse the system, users may not be aware of the rules of engagement, and people might have the motivation to get involved, but not the required skills. Things you can do to mitigate these upfront are: clearly state and enforce the **rules of engagement,** enforce proper etiquette and behavior using trusted experts as **moderators,** utilize a peer-awarded **point system** to identify top experts versus "trolls" and Implement a **mentor program** where top experts coach new bloggers on proper techniques and etiquette. Ultimately he stressed you need to provide venues and rewards to consistently motivate people to participate! ⌘

Helene Eichler is principal of HRE Technical Marketing, a high tech partner and product marketing consultancy specializing in: identifying, building and managing revenue-generating partner programs and providing sales enablement tools for effective product positioning.

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First off, he was quick to admit that the company's development efforts were problematic. New releases were getting harder and harder to deliver—with the number of features per release going down and the intervals between releases going up. Internally, Salesforce.com was losing track of what was going on in its code base, and there was little feedback available early on in a development cycle. Customers were also less than enthralled.

Clearly, something had to be done, and that something was implementing Agile, a move the company made in just three months, followed by an additional 18 months of "continuous improvement."

The success of the transition is undeniable. Post-waterfall, release cycles are dramatically shorter, features rolled out per release have markedly increased, and customers are happy. In fact, customer satisfaction scores show statistically significant improvement: 94% of Salesforce.com customers would recommend the platform to others.

Drivers of Success

Behind Salesforce.com's success were, and are, several key elements:

- **Strong cross-functional teams** – According to Mencke, they're critical. Everyone needs to "jump in" and do the same thing at the same time.
- **Smart core values** – Listen to your customers and, of course, KISS (Keep it simple . . .) throughout the development cycle.
- **Training** – Salesforce.com distributed Ken Schwaber's seminal book on Agile and also developed a two-hour Agile overview, which has since morphed into a two-day course.

Continuous improvement

With the basic move to Agile completed, Salesforce.com acted quickly to foster continuous success—building a scrum force, engaging in release management to get new features "out the door" on schedule, and driving automated functional testing as a best (and required) practice. In this environment, a virtual architecture team reviews all changes with the potential to break the code. Teams whiteboard feature dependencies, a low-tech but highly effective way to keep in touch with how one change affects other functional areas. The company endeavors to practice sustainable velocity, building in small 30-day increments and delivering to customers in four-month cycles. And it consistently uses key metrics to measure success.

Mencke wrapped up his presentation by leaving the SVPMA audience with several gems of wisdom:

- Train product owners early—and intensely.
- Bring in coaches from the outside.
- Write user stories, which discuss how "little pieces" of functionality will be used. (For more information about user stories, check out Mike Cohn's site at www.mountaingoatsoftware.com)
- Gather requirements upfront the old-fashioned way before beginning a sprint
- Engage executives by assigning them tasks. One favorite is to require them to attend development team meetings.
- Survey your organization with the goal of learning how to improve.
- Encourage "radical visibility" and over-communicate.

The most important of these is not to be afraid to change your company in a single shot. Change isn't easy, and the prime movers will catch some flak. But success is the reward, and, as Mencke noted, "they'll get over it." ⌘

Susan Monroe is principal of Written Right, a writing boutique that specializes in creating business-oriented content for technology companies. A resident of the "upper" Silicon Valley, AKA San Mateo and a veteran of marcom and PR agencies, she knows the value of speed, responsiveness, and agility.

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thought this was going to be perfect. But I had neglected to look deeper. For one thing, the marketing department was 140 miles away from engineering. Secondly, the VP of marketing had a neutral to strained relationship with the VP of engineering. As a result, each department's goals were only about 80% aligned and this created friction to achieving results. Priorities around projects, dates, and resources were interpreted a little differently by the team members of each department and therefore issues had to be pushed up and down the chain of command for resolution.

Then the company went through a re-organization and product management was placed under a newly named VP of Product Management who had come out of the engineering team. Although I liked the idea that product management was now reporting to its own VP, I was worried that this would have the same effect as reporting directly into engineering, since our VP had come from that department. Wrong again I was! The VP of Product Management and the VP of Engineering were great friends with a long history of working together. Also, they worked out of the same office. Our respective agendas quickly became fully aligned, joint priorities became clear, and everyone on the team knew the right trade-offs without the need for lengthy debate. Furthermore, engineering did not usurp product management's agenda. The VP of Product Management was given the role because he spent much of his time on the road with prospects and customers. He had his hand on the pulse of the market and the business issues facing our customers.

I have since seen this pattern repeat many times over, including product management successfully report into such odd places as the professional services team. Ultimately, if you want to know whether product management is reporting into the correct department, you need to dig deeper into the relationships between the heads of engineering and product management, and also their relationships with the CEO. If these three individuals are well aligned and interested in knowing the customer, your team will be set-up for success. If even one of these elements is missing, you have your work cut out for you. ⌘

Greg Cohen is a principal consultant at the 280 Group and on the board of the Silicon Valley Product Management Association. He has over a decade of product management and marketing experience, including Software-as-a-Service, channel sales, open source software, and agile development.

SVPMA New Membership/Member Renewal Update

After more than 5 years, we find it necessary to raise our annual membership rates to cover the increasing cost of catered food and monthly meeting rental space.

Effective October 1st, 2008:

New membership - $95/year ~ Member renewal - $85/year

Non-Member Event Pre-Registration - $25/event ~ Non-Member Event Walk-In: $35/event

We hope this small increase in cost does not impact your decision to renew your annual membership or to become part of the growing SVPMA community. We look forward to serving you in the months ahead with a stimulating series of programs led by thought-leaders from the tech industry.