

Who's Your Chief Product Officer?

And Are You Delegating Your Company's Future?

Where do you find most product management teams organizationally within companies or divisions? The two most likely scenarios are within the Development organization reporting to the CTO or VP of Development, or in the Marketing organization reporting to the CMO or VP of Marketing.

The question: Is this the right place in your company for this function?

If we continue down the organizational hierarchy, we typically find the Director (or maybe VP) of Product Management reporting to the CTO or CMO. This person is not usually part of the executive team and thus is one layer removed from most real-time discussions about company results and issues. Given that most of these discussions are truly about products or services in one form or another, this means this person is a one-layer-removed source of much of the needed information or is the recipient of the outcome discussion. Providing and disseminating this info then becomes a multistep process and filter that introduces lags in decision-making and misunderstanding due to interpretations through multiple levels. While inefficient, this will not necessarily cause major issues unless the lag times or filters are too severe.

More troublesome is the implicit act of delegating ownership of the crown jewels of the company down into the organization, with the assumption that the designated executive team member is the appropriate owner to drive this activity. Technology companies truly have only one prime directive in order to drive growth and profitability, and that is *to create and market product and services*. Many companies have been derailed by losing sight of this. The key question to answer is: who's the best person with proper incentives and motivations to be driving this activity.

The CTO or VP of Development is generally tasked with being the "technology guru" and deliverer of innovative solutions. They are expected to be up-to-date on technology state/direction and predominantly the manager of technical resources to build the product. The general measure of success and incentives for this role are based on how well they execute to plan for delivering the product and how well it actually works technically (quality, performance, etc). The head of the technical group is often personally motivated by delivering an excellent technical solution.

The CMO or VP of Marketing is generally tasked with being the "marketing guru" (Note: not market guru) and communicator of the solution. They are expected to increase the demand and market share, to manage the brand and to predominantly manage the marketing resources for advertising, promotion and PR. The general measure of success and incentives for this role are based on how much the sales needle actually moves and their marketing spend efficiency, both usually on a quarterly basis. A lesser (and longer term) target may also be to increase overall customer satisfaction metrics. The head of the marketing group is often personally motivated to make a big splash in the market quickly.

Of course, by definition of the Marketing Mix, Product is one of the 4 P's along with Promotion, Price, and Place. However this model was developed long before technology products existed and primarily for consumer market companies who spend 2-4% of their sales per year on R&D activities. Technology companies usually average 10-20% of sales on R&D activities, thus making it significantly more important to drive this spending effectively. Also note that the typical marketing expense is 20-60% of sales for technology companies with the vast majority of it going towards advertising and promotions. Given the short timeframe for results (and often tenure) for the marketing executive, this indicates the majority of their mindshare will be on short term marketing activities and less on longer term product planning activities.

So here's the challenge. If the technical head is focused on building and delivering the technical solution and the marketing head is focused on marketing activities and moving short term sales, then who's in charge of understanding the customer and market and defining compelling offers to begin with? Well, that would generally be Product Management. Unfortunately, the job has been delegated below the executive team and there usually are no direct metrics at the executive level to gauge success or failure for this activity.

The solution? Designate a Chief Product Officer. This does not have to necessarily be an official officer of the company, but needs to be someone with some official weight. The role also needs to belong to someone on the executive team who has the personal and financial incentive to drive the creation of compelling product or service solutions. The person needs to be directly involved at the executive level on a regular basis to create a culture of strategic customer/market/product focus, not just a view on the next release dates and current marketing promotion and sales activity results.

Who are the likely candidates? The CTO and CMO executives previously discussed can be effective in this role, but they first have to be personally interested in creating compelling products and be willing to actively engage in customer visits and monitoring the market and competition. Without this personal incentive, the organization will return to the previous status quo.

Another candidate is the CEO (or COO or division GM), but only if they truly have a desire to drive the product concepts and have a history of doing so in their career. While not always ideal, there is a lot to be said for the cultural statement this will make to the rest of the organization. In this case, the Product Management team should have at least dotted line reporting to the head executive.

Finally, the head of Product Management can be elevated to the executive team. It does not have to be a VP position (though eventually should be), and can start as a Sr. or Executive Director position and may still have a more junior role on the executive team just due to staff size. More weight can be given to the group by reorganizing some often-associated functions, such as technical communications and product designers (UI designers) into this group. The individual also obviously needs to have the capacity to interact effectively on the executive team.

How to measure results? This is one of the hardest problems to solve because they may often be subjective or difficult to actually measure. Some common measurements include “% of total sales from products less than x years old”, “# of new customer wins from new products”, “% of base upgrading per release” and “# of approved new product concepts”. Increasing in popularity is Net Promoter Score. The goal is to pick a measure that drives the behavior of finding truly valuable,

innovative, and differentiated offerings into the development pipeline and ultimately into the market. Note that measures such as number of customer visits or requirements documents produced do not directly support this goal, and can be a false indicator of progress.

Summary. Your company's long term growth and profitability is a risk by not having an executive level "Chief Product Officer" directed at and measured on the creation and delivery of successful new products and services. It's critical that whoever is in charge needs to have personal motivation and financial incentives to keep the necessary focus for managing your company's crown jewels.

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