A Framework for Product Planning

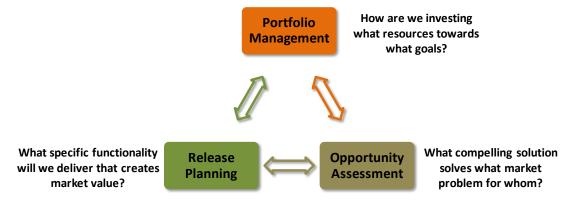## Portfolio Management, Opportunity Assessment, & Release Planning

As technology companies move from the startup phase into more mature states with multiple customers and multiple releases of at least one product, a normal queue of requested functionality or ideas begins to form for what to do next. Customer requests, competitive responses, new opportunities, internal operational issues and defects all begin to pile up and compete for attention.   Someone needs to deal with all of this and the question then becomes WHO & HOW?   How do we organize, understand, prioritize and decide what to do with this stuff?   More importantly, which of these items, IF ANY, will actually contribute to the long term success of the product and company?

Without some form of screening and drivers for innovative new solutions, an ad-hoc mechanism of selecting features can develop that responds to the squeakiest wheels and/or are the easiest to implement. Over time a rhythm develops and it may be increasingly difficult to take on truly new and innovative projects that disrupt the normal flow of business. Products and updates add less and less value to the product and diminish our initial competitive advantage or differentiation. Increasingly, product roadmaps look like laundry lists of low level capabilities and less and less visionary and creative.

To escape this inertia, there needs to be specific activities at multiple levels in the organization that align the business goals with the specific projects to be pursued.   Three of these activities discussed are Portfolio Management, Opportunity Assessment and Release Planning.   Regardless of whether you follow an Agile or Waterfall methodology, the success of your products will be significantly affected by how well you orchestrate these activities, formally or less formally, prior to starting Development.

The Big Picture

The Product Planning activities presented are separate and work in unison across multiple levels of a company.   Each planning activity is intended to focus on specific questions and deliverables while moving from a strategic view to a more tactical one.   The 3 Product Planning activities are presented graphically with the primary question they will address:

Portfolio Management — How are we investing what resources towards what goals?

Release Planning — What specific functionality will we deliver that creates market value?

Opportunity Assessment — What compelling solution solves what market problem for whom?

3 Activities of Product Planning

In *Portfolio Management*, we're focusing on longer range objectives and asking "How should we invest". In *Opportunity Assessment* we're determining products and services that answer "Which have the highest potential for success". Finally, in *Release Planning*, we're determining "What will we deliver in the short term".

The ideal flow for any specific project is clockwise through the activities. The strategic and business drivers are defined in Portfolio Management, providing direction and filters in Opportunity Assessment, and culminating in an achievable and aligned project in Release Planning. The results feed back to Portfolio Management and provide adjustments to the overall big picture.

As more projects and products are added into the mix, the multiple interactions increase the complexity of managing all of the activities. The need for some form of structure will first surface in small companies as they grow beyond a few customers or into multiple products. Even in larger companies, there may be incomplete, inefficient or disconnected activities at different levels that need to brought into alignment for better success. The amount of structure and process to apply should be thought of as the minimum needed to answer the questions well enough to make informed decisions.

Product versus Project

Before diving into the Product Planning activities, let's first delineate two terms that will be bantered around in this paper, Product versus Project. The *Product* is the solution delivered to a market segment (be it physical or more service-like) that embodies the features and capabilities determined to satisfy a market need. It typically has a brand name, a price, and a method of distribution. The Product can gain features and functionality over time to attract related market segments, but the fundamental problem solved and value proposition is usually fixed. When multiple Products exist, then they are thought of as the company's Product Portfolio.

The *Project* is the mechanism for designing, building and delivering the Product to the marketplace. It is a temporary assignment of resources and activities to produce a desired outcome. Over the life of a Product, there can be several Projects of varying size, duration, resources and activities to ensure ongoing market success. A Project is most often associated with making changes to the current state, thus the desired outcome is usually an envisioned future state. The ongoing suite of company Projects would be the Project Portfolio.

The Product Planning activities span both Product and Project deliverables.

Portfolio Management

Portfolio Management guides the direction of the product strategy. The major objective of this activity is to answer:

How are we investing what resources towards what goals?

The usual participants at this level are senior executives or specific senior managers in the organization. As a structured group, it could be the Product Council or Product Steering Committee. Involvement from product management is typically at the Director or VP level with input from the Product Managers. The Product Management head may also be the organizer of this group.

This activity should be focused on strategic and directional goals over a 1-3 year period (or even beyond for platform products) and should be monitoring longer term market and technology trends. A more tactical activity would also be prioritizing, scheduling and monitoring projects, such as in a Stage-Gate process. Some typical questions this group should be answering for the organization would be:

- What are our primary product-related goals in the current business cycle? (increase revenue, reduce costs, increase market share, enter new markets, improve customer satisfaction, etc)
- How are we optimizing our core competencies and assets?
- What new competencies and assets do we need to develop/acquire?
- What is the next 1-3 year vision and roadmap of our product strategy?
- How will we allocate resources across segments & products, existing vs new, short- vs long-term?
- What specific projects will we invest in and when?

The major inputs to the activity would typically be periodic assessments of the market, technology, and your own products. The next step would be to map an *envisioned* product strategy that supports delivering on the business goals for organization. A gap analysis would identify the areas of development (or partnerships) required to achieve the goals. Finally, *specific projects with assignment of resources would be targeted at identifying and delivering high potential products or enhancements.* As these projects report results back to this group, decisions can be made to move to implementation, perform further analysis, or stop the project.

The value of the Portfolio Management activity can be significantly diminished if business goals are not clearly articulated or if they only address the next 3-9 months in time. This will make setting priorities, measurement of progress toward the goals and long range planning difficult, if not impossible. Another problem area can be lack of commitment of resources to investigate more significant and compelling opportunities. This is easy to do when in the middle of battle to get current planned releases out the door. Unfortunately, this will result in an empty pipeline of vetted opportunities to move forward on after the next 1-2 releases and create a quandary as to what to do next.

Another problem that can emerge is the executives involved in this process are micromanaging or dictating across the entire product planning cycle. This is more likely to occur in small companies as the founder(s) attempt to keep control of everything. This behavior likely supported the initial successes in the company, however as the complexity of the business increases and other business demands on these executives increase, the individuals simply cannot scale. Without a formal passing of the baton through delegation, a leadership gap will develop and the organization may become myopic and passive in finding real opportunities to pursue.

Opportunity Assessment[i]
Opportunity Assessment identifies valuable and feasible products or product enhancements for the company to pursue and is sometimes called the Business Case. This activity rests squarely on Product Management's shoulders. The major objective of this activity is to answer:

What compelling solution solves what market problem for whom?

The major outcome of this activity is to identify real market problems that exist, that your company can solve, and that customers would be willing to pay for. *The Opportunity Assessment*

activity has the highest payback potential of any strategic activity that can be done in a product organization. A more complete list of questions to answer is:

- What real problem exists in the market for what segment of buyers?
- How big is the opportunity and why is now the right time to invest?
- What is the envisioned solution and feasibility of us doing it?
- Why would our solution be better than the alternatives?
- What would be the business model and value realized by the buyers?
- What would be the go-to-market strategy?
- What are the primary drivers of our success and how do we measure it?
- What is the next step required for this opportunity?

In order to answer the questions above, the Product Manager will need to be actively engaged in the market to first identify what problems exist or can be done in a better way. It's usually not possible to achieve this by passively taking in feature requests from customers or performing customer surveys.   The product managers need to be physically visiting customers, watching how the product is used, performing usability studies, asking WHY questions and observing how they do activities to accomplish their goal. They also need to understand the urgency and impact of problems they begin see, such that truly compelling solutions will surface versus just "Wants" or "Nice-to-haves".

The product managers will also need to consult with technical leads to understand feasibility and scope of potential solutions and marketing, finance or other leads to flush out the value prop, positioning, business models, operational and go-to-market issues.   It might also be worth working with a designer to pull together a quick prototype to test a solution with potential buyers.

This activity can be a lightweight process that can be accomplished in a few weeks of effort or it may require multiple iterations to work out specific areas of technical or market uncertainty or risk.   As indicated above, resources may need to be allocated to this as a longer term active project at the expense of shorter term projects.   The more you have at stake with the decision, the more you need to get it right up front.

Unfortunately, the Opportunity Assessment activity is either abbreviated or non-existent in many companies, both for new products and product enhancements.   What usually gets short-changed is the definition of the problem and creation of the value proposition.   What happens is a solution gets pieced together from a laundry list of feature requests and has no focus or the solution is created to solve a problem that is exaggerated. In both cases, the benefits perceived by the overall market are low or nil and no amount of marketing and messaging after launch can fix the problem. While a few customers may have gotten what they wanted, from your company's perspective it became a lost opportunity to leverage your scarce resources in a more impactful way.

Release Planning
The purpose of the Release Planning activity is to identify the Project to deliver the product or enhancement to the market.   The major objective of this activity is to answer:

What specific functionality will we deliver that creates market value?

The involvement from Product Management for this activity is in articulating and prioritizing the requirements and working with other functions to develop the complete project plan. A more complete list of questions to answer is:

- Who are the users and what tasks are they trying to accomplish?
- What is the minimal functionality required to deliver the core value?
- What are we building; what are we buying or partnering on?
- What resources, schedule and budget is required to build it?
- What resources, schedule and budget is required to launch, deliver and support it?
- What are the key project milestones to monitor progress?
- What are the key risks and mitigation plans?

Other areas of involvement for the Product Managers can be driving the overall financial business case, working with designers to specify the user experience, and engaging partners for pieces of the solution that you won't build. In an Agile environment, the requirements focus will be on the initial list and priorities of the targeted User Stories.

A major challenge for many Product Managers is specifying the MINIMAL feature set required to achieve the core value proposition. This requires ruthless prioritization. This does not mean that the product is weak in satisfying the problem or in differentiating in the marketplace. It suggests that instead of trying to embellish the product with features scattered across multiple segments to *increase your potential market size,* invest in the best user experience and differentiation possible *to maximize penetration into a single, focused segment.* It also means forgoing internal pet features from key stakeholders and many (or even most) feature requests from key customers.

An example of this principal was the Generation 1 Apple iPod. It focused on three main innovative features for a single, narrow market: 1) Hard-disk-drive capacity in a flash-memory-sized package, 2) Simplicity and ease of use (to the point of reducing functionality compared to competition) and 3) Overall package and UX design. Target market was Mac users-only due to the iTunes app. Apple then delivered regular incremental performance improvements to the core value proposition to stay ahead of competition (more capacity, smaller size). They then expanded into additional segments by introducing smaller and cheaper units as well as developing the iTunes Store and adding Windows users. Note that it took 2 years to deliver the latter features but they had become the overall market leader even without those capabilities.

Summary

The process of continued innovation and value creation in companies can be complex and requires an active participation in understanding market needs and developing new solutions to problems. It also requires a strong alignment of business goals, product strategy, feature prioritization and project selection to realize continued success. This paper discussed 3 activities to accomplish this alignment and each of their specific objectives: Portfolio Management, Opportunity Assessment, and Release Planning. While Product Management should be at the center of product-related activities, it is only through a multi-level and cross-functional set of activities that optimal product success can be realized.

For more information, see www.product-arts.com or send email to info@product-arts.com.

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[i] Check out "Assessing Product Opportunities" by Marty Cagan at http://svpg.com/articles/articles.html.