

Improving the way people and companies work.
Forever.



Moving from projects to products

The importance of a product mindset

Foreword

We see it nearly every week – companies working to make the transition from a project to a product mindset as they wrestle with executing a successful digital transformation. They face the daily challenge of responding to increased competition not only from traditional rivals but also from new, up-and-comers who benefit from less infrastructure and lower costs. As more and more technology solutions are required for a business to operate effectively, companies are struggling with an ever-increasing demand for delivery performance.

Perhaps the biggest challenge for companies in making this transition is figuring out how to shift their mindset and processes to get their most valuable ideas built into products that are fit for purpose. Companies are faced with an array of methodologies and frameworks that promise to solve their troubles, yet their greatest need is developing an approach that fits their context and not someone else's.

Emergn has served hundreds of the world's most recognizable companies. Our heritage goes back to the beginning when Agile came on the scene to change how software was built. Through the years we've adapted the best practices and principles from several schools of thought to help our clients advance their transformation efforts by working across both business and technology so that the results can truly be company-wide.

In this thought paper, we discuss the importance of a product mindset and how that informs decisions across the company by collapsing boundaries and bringing people together from all parts of the company to focus on delivering exceptional products versus serving functions or projects.

We also discuss the six capability areas necessary to embed a product culture.

Moving from project to product

Challenges of product and IT development

From an IT industry perspective, we are awash in evidence of the failure of flawed development projects, programs and organizational misalignment. Or as the Standish Group puts it "the project management field has experienced increasing layers of...processes, tools, governance, compliance, and oversight. Yet these activities and products have done nothing to improve project success." (Chaos Report 2015). Similarly, Harvard's Clayton Christensen observes three-quarters of product development investment is in products that fail commercially. More than 60% of new-product development efforts fail to even reach the market.

We find these failures wherever the relationship between the 'business' and IT organization are modelled on functions, with clear hand-offs between departments that lead to an order giver and taker interaction, and economies of scale. This approach is ill-suited for speed of execution and driving innovative product and software developments. Product development has very different characteristics and requirements¹.

When there is a clear separation of responsibilities, accountabilities and alignment, it leads to slow, high-cost and frustrating delivery of ideas – the idea-to-market value stream is one that slowly destroys value. The alternative is one that is rapidly responding and reacting to changing market and technology conditions.

The predominant model for bringing new ideas to market is slow and expensive, and is based on projects and project management. It doesn't lead to high-engagement between business owners, product managers and technology teams.

As digital technology continues propagation through the economy – driving further transformation of industries, services, the customer experience and expectations – the significance of these challenges will mount, as will their implications for future enterprise success.

Value, Flow, Quality®

Organizations that excel in product development do three things well.

First, they **deliver value early and often**. This reduces risk and enhances product adaptability to evolving technologies, competitors and customer needs and preferences.

Second, they **optimize the flow of work** from end to end. This speeds up time to market, enhancing competitive position and accelerating value through revenue growth and return on investment.

Third, they **obtain frequent, fast feedback** from customers and users. They understand that, in highly dynamic and evolving environments, the path to quality is through discovery: building-the-right-thing and building-the-thing-right.

1. For reference; e.g., Don Reinersten, The Principles of Product Development Flow, 2009. And David Snowden, <https://hbr.org/2007/11/a-leaders-framework-for-decision-making>

A new perspective

Projects push a mindset of governing for certainty. Products promote a governance model that favors discovering what customers really want and need, and a longer-term investment strategy that improves the quality of systems and products.

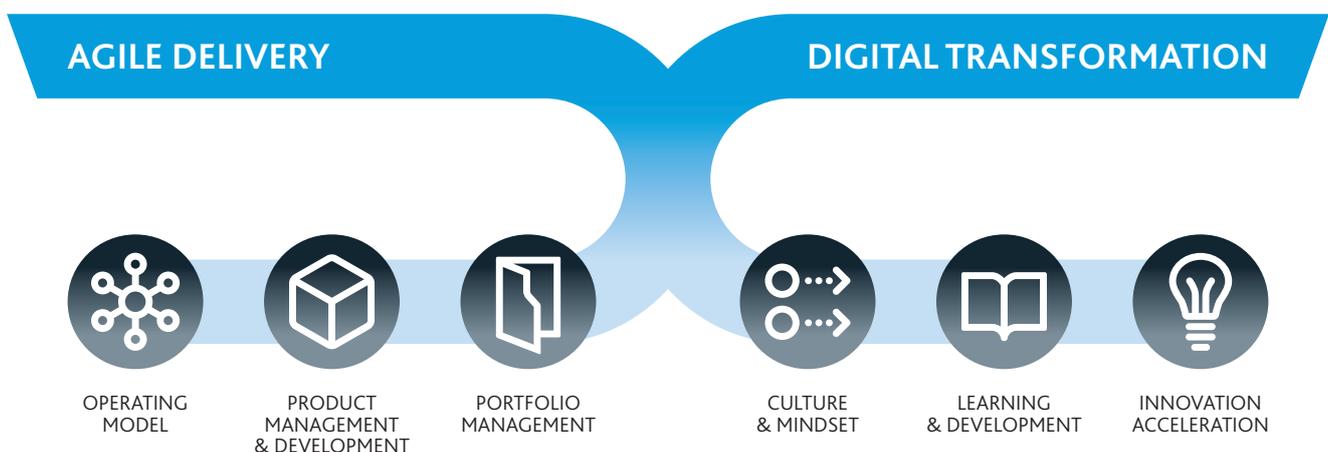
Our exposure to how new initiatives are governed suggests that there are processes that push people to pretend that there is a level of certainty that cannot exist at the beginning of new initiatives. A predisposition to push back on things that aren't 100% baked is a challenge that needs to be overcome when the pay-off of the initiative is great. This is evident in excessive re-examination of business cases by PMOs, technology teams and other business leaders – this leads to long decision-making cycles that are purely analysis-based. In the absence of any experimentation that advances knowledge and leads to insight, this process is just about ensuring everyone agrees. Consensus results in the flow of value being very slow and doesn't typically help enterprises accelerate the future strategy.

When helping companies transition to new models of working that accelerate idea-to-market, we often help them re-think using projects as the only way to fund ideas. Projects are volatile in nature – even multi-year projects. They typically bring together new teams of people, new technologies, funding, goals, outcomes, new support

models and many other elements that need to go through a lifecycle. They typically take time to set-up, become productive and start delivering, and they then need to be transitioned into a BAU model down the line. The diagram below shows the key areas that need addressing to enable the product mindset to exist within the organization and transform the entire idea-to-market lifecycle.

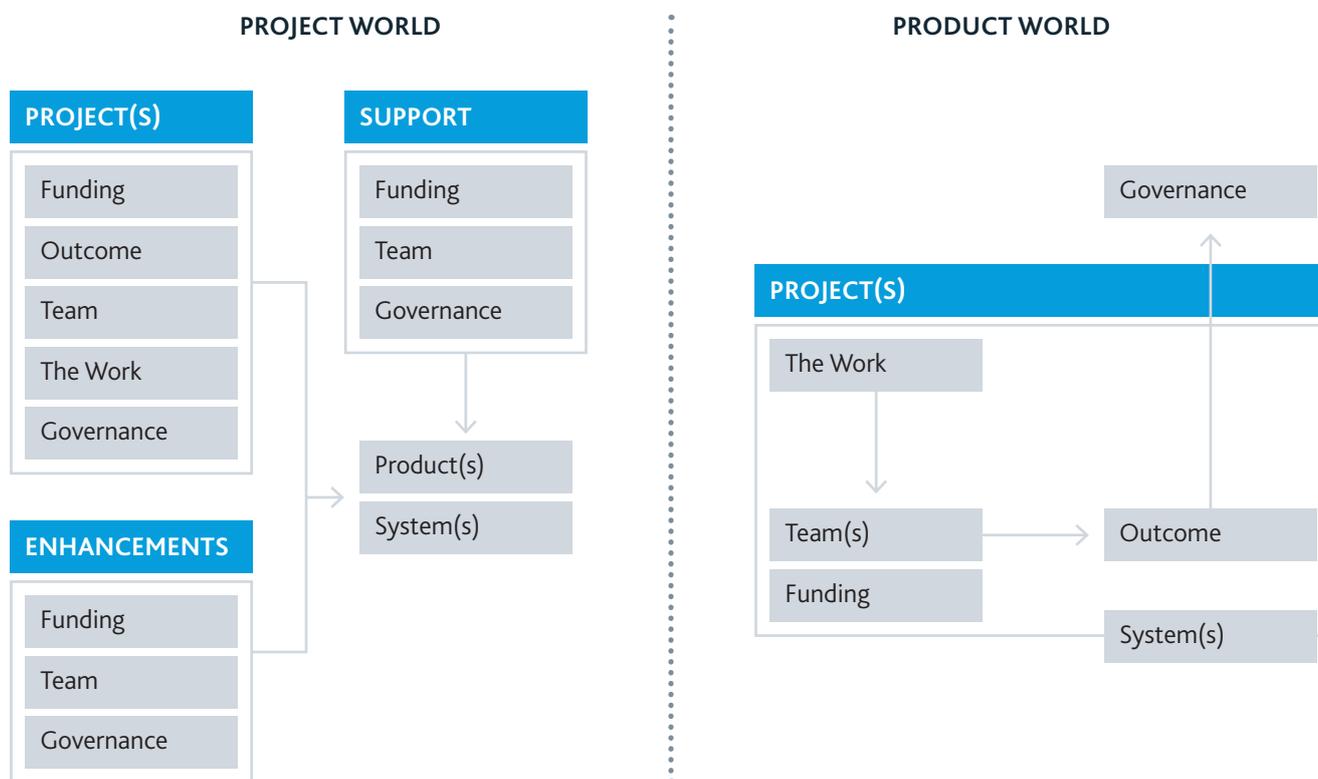
A product mindset starts out thinking about the core capabilities of a business – the things that don't change. For instance, in retail, you are always going to buy and sell merchandise. In telecoms, you are always going to provide communication services which means you need to manage networks. In a utility, you must manage the served resources (water, electricity, gas) and you need to be able to bill for usage. The way these jobs are done changes over the years due to expectations and technology, but a company has to continually invest in these sorts of capabilities. As IT and end-user technology become more central to everyday life, longer-term funding strategies need to exist to continually refine and improve how customers are served.

Figure 1 Key focus areas for developing a product mindset



The diagram below shows the key items that need addressing and managing between projects and products:

Figure 2 The project versus product perspectives



As you shift from one paradigm to another, decisions and timelines change. Gartner suggest the following changes:

Figure 3 Key attributes of project versus product management

	PROJECT	PRODUCT
FUNDING	Annual	Continuous, with more frequent (e.g. every 3 months) checkpoints on shifts in funding and resources
TIMELINE	Discrete with formal start and end dates	Continuous, assumed to be ongoing; no firm end dates, although product can be retired
TEAMING	Matrixed – orchestration across departmental and technical domains, but with functional teams owning the resources	Multidisciplinary – much of the team working full time on the product, breaking down the silos of functional specialization
METRICS	On time/budget, although IT organizations that are more mature may measure projects based on business outcomes	Customer satisfaction, profit, market share (business-centric metrics)

Source: Gartner (May 2017)

Thinking differently about delivering value

Leaders improving product development are relentless in driving four major shifts throughout their organizations. As businesses become more digital, the following shifts become more necessary. As you read them, give some thought as to where you are. The shifts are:

Figure 4 Four major shifts to improving product development

FROM		TO
1. Organizing by function and department	→	Alignment by product and value streams
2. Governing for certainty	→	Governing for discovery
3. Competing for budget	→	Driving value propositions
4. Fostering a culture of control and order	→	Cultivating empowerment

It's not to say the things on the left are bad per se, but they don't lend themselves to speed, innovation, digital and being customer centered.

Leadership is essential to making this transition, and specific attention should be given to growing product managers and product owners. These roles need to operate differently to traditional project managers. Here are the differences:

Alignment by products and value streams

On a high level, the job is to refine business objectives and opportunities into value propositions and realize these through technology solutions to generate the anticipated business benefits. To get the job done effectively, it needs to be performed in an organization that is aligned to the value streams with minimal handovers of responsibilities so that the business value generated can be followed and continuously monitored.

Product managers are required to navigate between demand and supply, and engage in managing the pipeline of ideas using an [Idea Management Model \(www.emergn.com/idea-management-model/\)](http://www.emergn.com/idea-management-model/). The goal is to flow the most valuable ideas into the hands of customers in a way that guarantees a great experience and that needs to be done by a constant attention to prioritization to maximize the use of resources.

Governing for discovery

As product development is inherently complex and uncertain, the governance applied must be based on that understanding. On a micro level, teams need to frequently and regularly demonstrate and validate the work based on feedback. On a macro level, the same principles apply so cadenced forums should evaluate initiatives and assign funding based on recent, proven performance of delivering valuable increments early and often, not plans and business cases.

A product manager will continuously have to evaluate progress against strategy, refining and revisiting product vision, and roadmaps accordingly.

Driving value propositions

Product management is about making key decisions about which value propositions to realize, which features create value and in which order features should be delivered. Inside enterprises, the demand for technology solutions will always outstrip the ability to deliver, and the ability to understand which ideas create the best return or deliver the strategy can change and morph over time – that's the nature of a complex business. This means the product management processes and governance need to frequently review and then adapt the delivery strategy in order to maximize the return from delivery capacity and to continuously respond to changing market dynamics.

Cultivating empowerment

Product management is about connecting and managing the interplay between business objectives and technology. Direct collaboration between the people with the need (customers and users) and the ones that can do something about it (developers, engineers and designers) is what a product manager needs to enable. Rapid decisions by those closest to the work is key to both product quality and a motivated, productive working environment. One of the improvements companies make as they shift from control to empowerment is one where resources and capacity is more focused on value delivery rather than on coordination, reporting and bureaucracy. The change in focus frees up people to contribute more value.

Figure 5 below shows a view from our work of how project-dominant delivery approaches allocate time.

Enabling great product management

To drive implementation and gain proficiency in product management, successful organizations organize teams around products that address business and customer problems in a way that continuously enhances the care for and understanding of customer needs. This means that we need to help product leaders:

- Be accountable for all aspects of the product management process including customer desirability, technical feasibility and business viability rather than splitting responsibilities across organizational silos.
- Standardize on the knowledge and governance aspects of product management but be flexible on all aspects of execution and delivery, ensuring business value drives evaluation and decisions.
- Organize to optimize the flow of value delivery to the business and customers – and define products by the enablement or improvement they provide to a business capability or customer experience. This will create a clear purpose and enhance collaboration by enabling the collapse of silos – and eliminate the separate agendas that today stand in the way of successful product development. This can be challenging at scale. The model overleaf, Figure 6, shows how the role works at scale when there are multiple markets or lines of business to support.
- Create the right tension between business ownership (i.e. the person who will be responsible for operating the business), technology ownership (the person who will be responsible for creating the long-term technology platform that meets the service needs) and product ownership (the person who is responsible for the roadmap, innovation and constant assessment for how the product or service will outperform the competition and serve customers).

Figure 5 Project delivery approach – time allocation

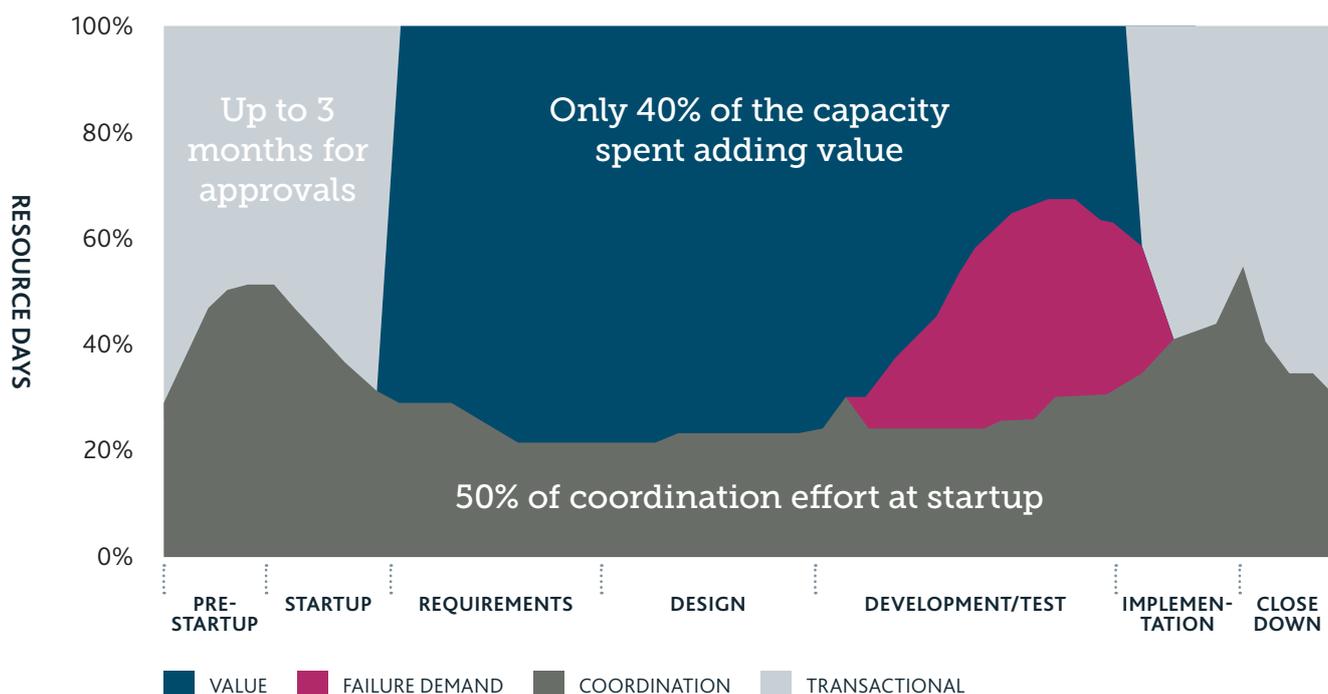
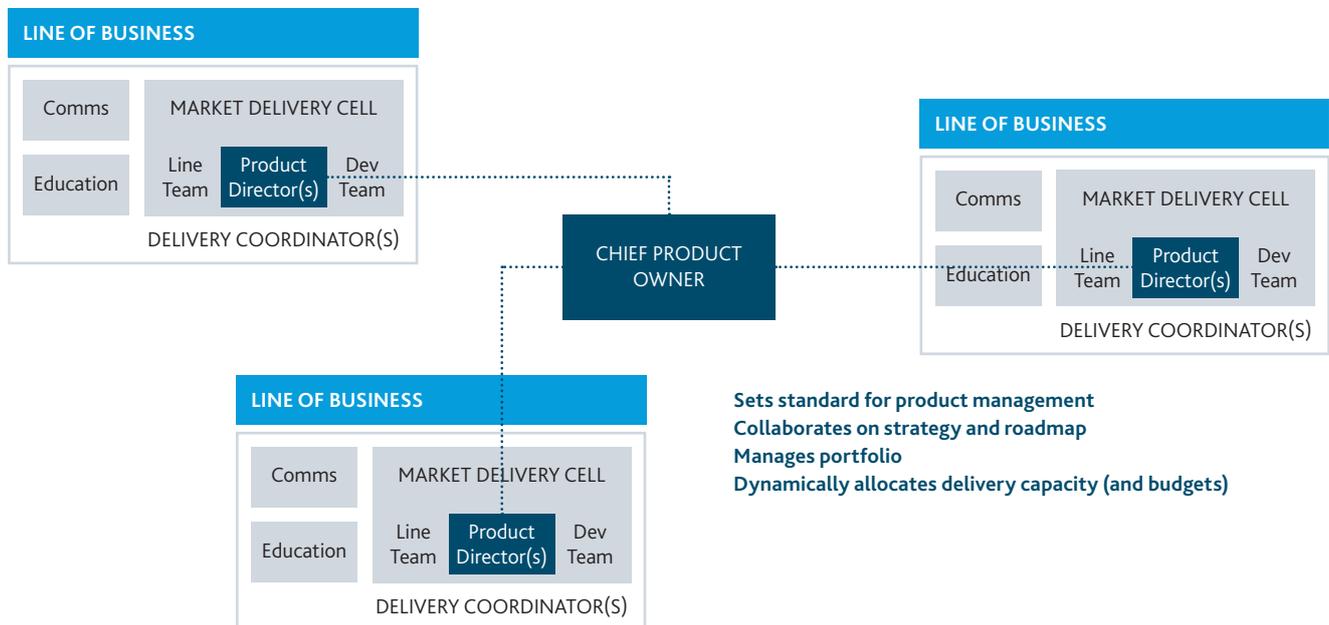


Figure 6 Coordinating decision-making across markets



A product manager needs a few key conditions to enable success:

1. They should be aligned to a single strategic initiative. They cannot deal with multiple agendas. Every day they should be focused on solving the problems of bringing a single value proposition to life.
2. They need strong relationships with a business owner who is responsible for helping to explain the current context and be a partner in defining the future business model of their area.
3. They need an even stronger relationship directly with technologists who can help prototype, experiment and shape the feasibility of how a product will come to life. The simple rule of thumb is that 'someone who needs something, needs to be as close as possible to those who can do something about it.
4. They are accountable for bringing about the Product Vision that's agreed across different organizational boundaries.

And the product manager needs to be responsible for:

1. The product vision and road map of how the business and technology capabilities are going to change over time. This includes defining why.
2. Making the day-to-day prioritization decisions that decide the trade-offs between short-term results, long-term strategy and future adaptability of technology. This is done in tandem with the business owners and technology owners.

A great product manager will be:

- **A technologist** – someone who has a deep appreciation of how technology works and is evolving
- **A trusted voice in the business** – someone who understands how the economics are changing, and someone who can engage business leaders in this future direction
- **Creative and innovative** – someone who can solve problems. Product management is hard, and requires constant attention to the detail and making decisions on a regular basis
- **A leader** – someone who can work across all the silos and functions of a business and is trusted to make the decisions required

Conclusion

Creating great value propositions is hard in an enterprise. There are a lot of stakeholders, plenty of process and governance, and a whole host of complexity to navigate. Product management needs to cut through that complexity, and product managers need to be able to marshal the resources and the way of working, and have access to customers to test and learn about how well the value proposition performs. This doesn't mean they work unilaterally to focus on only their idea or their area.

They need to work within the confines of the enterprise to ensure that the value proposition supports and helps grow the over-arching business model and purpose for the organization. Ultimately, they need to focus on increasing the value from their ideas, ensure that the ideas are flowing well from inception to the customer, and they need to keep the customer at the heart of the process to develop products and services that are inherently valuable.

Product mindset is at the core of digital transformation

Digital transformation is still a relevant topic and isn't going away anytime soon. It's still a number one initiative and priority for CIOs in 2017. Despite the data that tells us 80%+ of digital transformations fail, the benefits of digital transformation are still largely accepted: expanding customer needs mean larger revenue opportunities, improved customer experience, greater operational efficiency, a more engaged and productive organization and a sure footing in a company's respective segment.

That said, the risks and challenges of failing are top of mind for some and misunderstood by others. For example, in many Fortune 2000 companies, the vocal support of the C-suite isn't enough to guarantee success. Nor is sticking to one methodology or framework or even worse, outsourcing your digital strategy and neglecting to invest in your own people and talent.

Of all the areas that a successful digital transformation program must address, the product mindset is often the

most neglected. Any transformation, by nature, requires a dramatic shift in how you think and work to meet the new opportunities that a digital strategy brings. Applying current or old thinking to a new, digital program will guarantee failure. Ensuring that your organization develops a product mindset alongside the introduction of new processes and technology is the only safeguard to embedding lasting change.

Our customers tell us that they simply can't innovate fast enough or deliver the company's most valuable ideas within a reasonable timeframe because they are stuck in a legacy mindset, even when it comes to using a single methodology or approach. This is because digital transformations go beyond any one model and require organizations to cast a wider net to shape the effort within their own context.

The ultimate success factor around a product mindset is the ability to foster skills, capabilities and thinking within the organization that will result in delivering real change.

Five reasons why companies choose Emergn

Today, thousands of decision makers across hundreds of companies rely on principles, practices, and techniques they learned from Emergn to deliver great products, improve their ways of working and embed a positive, lasting culture across their organizations.

Most of all, here are the top reasons our clients tell us they prefer to work with Emergn:

#1

We help you rapidly embed the right mix of practice and process for your context

Gartner says that "Products in the digital era reflect a deep understanding of both external and internal customers and their personas, goals and user journeys – and the business opportunities in serving them via a digital experience". In other words, the transformation that companies seek goes far beyond relying on cookie cutter methodologies and Agile frameworks.

Many organizations default to the most popular model in order to bring needed change into their company rather than experimenting and leveraging what's best for them across several possible approaches. Transformation in the digital era towards a product centric organization means pulling together the right combination of disciplines and practices that fit your context.

This is precisely the difference that Emergn brings to its clients; the opportunity to shape their transformational efforts to suit their specific needs so they can equip their people with the necessary skills and mindset to deliver exceptional products and services.

#2

We are the only company that uses a proven education led transformation approach that connects business and IT and customers

Transformation type programs are hard enough and many fail to achieve their intended results and outcomes. Too many transformations (be it Agile, Digital, DevOps or any other) start and focus on the teams doing the work. Of course, this is where the magic of delivery happens. But, the overall system of work dictated by governance, risk management, finance, HR and other policies can have a huge impact in the way new ideas are brought to life. It's the classic disconnect between Business and IT and these days, the inclusion of the external customer is even more critical in order to respond to market drivers.

The overall time an idea takes to be funded and initiated can be extremely long. The 'fuzzy front- end' of design and development is an area where value can be created, and the better this fits with downstream delivery processes, the more effective the outcomes.

While other services firms focus on shaping one area or the other, we consider the end-to-end, and work as far upstream as our clients allow. We also introduce clients to VFQ, the industry's only work-based, action-learning program that is designed to educate and accelerate the skills and capabilities of your people, from executive to engineer, in order to balance the results.

#3

We leave lasting change and capability without long term dependence on external support

Classroom training for modern skills is expensive and mostly ineffective. You can't be a master of anything in two days and often, organizations spend hundreds of thousands putting people through such training only to continue to depend on expensive, external support to try and get the results they were expecting from their own teams.

We look at this problem differently. Improving the way people work. Forever. This is our vision and stretch goal. Once people have been through our work-based education pathways and programs, they will forever be changed in the way they work. It's hard to go back. One way that we leave lasting change is that we identify and work with change leaders, internal coaches and trainers as a way for clients to own their own transformation. It's a core part of our offering. As you can see from the case study in this newsletter, this is a real differentiator.

#4

We are trusted by our clients and carry a 90%+ referral rating

Our greatest achievement and the thing we're most proud of are the client relationships we've established over the years. Since our work is value-driven, we understand that trust is earned by continuing to show up and deliver what we said we would. We also understand the importance of slowing down to go faster, which means we take the time to learn and understand how we can best serve our clients.

We let our clients do the talking when it comes to describing the experience and work we do with them. This is perhaps the best method to communicate the value of the relationship with Emergn and it helps in setting expectations.

#5

We consistently deliver results within weeks not months

Today's client is smarter and understand that any relationship must be established on value and not labor. Gone are the days of large, multi-year contracts. Clients simply don't want to budget for or expect to engage in a commercial relationship that is so far out that it can't possibly produce adequate results fast enough. The entire premise behind the digital economy is speed and scale.

Incremental results that validate the spend and continue to point in the right direction are much more crucial than long term commercial commitments that aren't value based.

Emergn believes that clients should expect to see positive results and outcomes within the first few weeks of working together. Whether that's through being part of our innovation acceleration approach or embedding teams into our VFQ pathways, the motivation is to develop a speed and scale mindset within the organization and to build momentum.



Emergn (UK) Limited

81 Farringdon Street
London, EC4A 4BL
Tel: +44 808 189 2043

Emergn Limited

20 Harcourt Street
Dublin, D02 H364

Emergn Corporation

One International Place
Suite 1400, Boston MA 02110
Tel: +1 888 470 0576

emergn.com

