Organizational Life Cycle Management

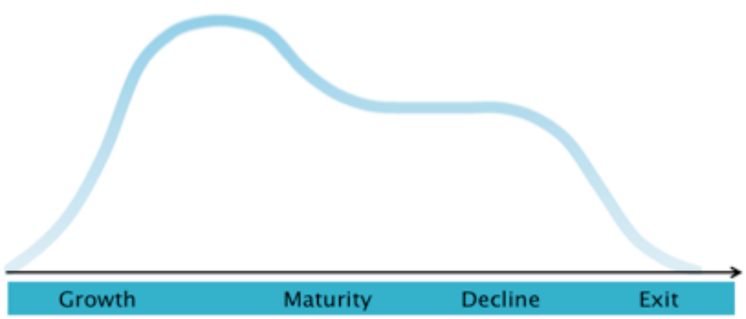
Optimizing Your Product Management Organization Through "Continuous Evolution"

April 2015

We have all heard the term "continuous improvement" applied to any number of business disciplines from manufacturing processes, to quality principles, to entire organizations. But what do these words really mean? The general idea is that you should never be satisfied with where you are at any given moment. If you set a goal and reach it, than set it higher and go for it again because, if you don't, someone else will. What makes this phrase slightly more clever than obvious is the use of the word "continuous". Still, I have to say that something about the semantics just doesn't sit right with me in every situation. In particular, I'm just not sure it's the right phrase to use with respect to business teams or organizations. You can improve a result – that much I'll concede. But can you really improve an organization? And, more importantly, do you have to?

That seems an awfully controversial way to start a discussion. So why even ponder this question at all? Well, in searching for future topics of interests for our clients and readers, we inquired as to what things were weighing heavy on your minds. One of the top answers was for us to feature an article on how to "continuously improve" Product Management organizations. Believe it or not, this is that article! But I didn't want to just take the request at face value. Asking how to improve an organization automatically implies that there is actually something that needs improving and, although that might be the case in some companies (because, for example, the organization is not achieving the desired result), in many other cases, organizations are already over-performing to their goals. So in these situations, "improvement" may be the wrong word to use. Instead, the phrase we might be looking for is "continuous evolution".

At the Product Management Leadership Summit in May 2012, I gave a talk on "Managing the Vitality of The Product Management Organization." In short, the theory is that we can think about managing organizations the same way that we manage products. After all, isn't an organization providing a service? And isn't that service a product that is consumed and utilized, just like any other product? So if we look at a product's life cycle, we have 4 distinct phases, as shown below:



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Of course, not every life cycle curve will look exactly the same, but the general principle is that you will have a phase of growth, followed by a tailing off period, a leveling period, and then a decline period until the product finally reaches the end of its life. The second part of the theory is that a product is "most alive" during the growth and maturity phases – meaning that it is producing maximum output in terms of revenue and profitability. Of course, there are always exceptions to this rule, but we generally find that this theory holds true for most products or services.

When we talk about the concept of product or portfolio "vitality", we are saying that a company should pay attention to how many products they have in their respective portfolios that are in the growth phases of their life cycles. The more products a company has that are in the growth phase, the more "vital" or "alive" that company's portfolio will be and, hopefully, the result will be stronger revenues and higher profitability. Some companies measure this with what is commonly referred to as a "new product vitality index" – that is, measuring the revenues of new products (released within x amount of years) as a percentage of their overall company revenues. The variable "x", by the way, should be chosen (although this is often overlooked) based on the typical time period that a product stays in the growth phase for the given served market. In any case, the theory is generally true that the higher the "new product vitality index", the better the long-term health of a given company's performance will be.

So is this about "improvement" or "evolution"? Perhaps it's a little of both. But rather than talk about every metric showing improvement, I like to say that we are targeting big-picture improvement by evolving the overall portfolio. So if we continuously added new products into our portfolio, the resulting curve(s) might look something like this:

And so, by managing the overall vitality of their portfolios, companies could ensure that they always have positive growth engines to help balance products that are going into the maturity, decline or exit phases of their respective lives.

If we agree on this basic principle for portfolio management, we can ask ourselves if we see any parallels to the way products behave throughout their lives, and the way organizations behave. I know that when I first enter a new job, I go into it with vigor, excitement, and a fresh perspective. This is a new adventure – one that I have never embarked upon before and, as such, I am much more likely to take every step with more passion and more enthusiasm than if I had "been there and done that" all before.

We've all heard the expression that "the journey is more exciting than the destination". Well, in my experience, the same can be said of a job. That's not to say that we won't be effective after doing something for a number of years. But I truly believe that we all need a fresh set of perspectives and a renewed sense of energy to help keep us as sharp and motivated as possible. What I am describing, in so many words, is an organizational life cycle curve.

Just like products, organizations will follow the phases of growth, maturity, decline and exit. It isn't that employees become stale or complacent in their roles but, rather, that the roles do not always evolve and, so, employees don't always have any other choices. If someone is doing the same thing over and over for years on end, they will inevitably follow the life cycle curve. But if companies can find ways to infuse new energy and life into their organizations then, with all other things being equal, long-time employees will continue to deliver exceptional performance because their knowledge and skills will evolve with every new challenge that is presented. And, just as in the new product example, this will help to keep that organization vital.

So, one might be inclined to conclude from all of this that turning personnel over on a regular basis could be a potential solution to the problem of organizational complacency. In fact, I am suggesting just the opposite. It is far too easy to blame employees for stagnant performance when, instead, the accountability usually rests with the company itself. Turnover costs companies time, money, and valuable knowledge that is often difficult to replace. New recruits might bring fresh perspectives, but, in too large a quantity, this benefit will most certainly be lost in the task of having to constantly retrain new employees. So new energy is gained, but overall momentum is lost. The key, then, is to maintain organizational balance - just as you would for a product portfolio. And the measurement is not in how many years an employee has been there but, rather, on what new adventures those employees are embarking on.

To achieve this balance, I propose that companies focus on three areas for organizational growth: Strategic Initiatives, Skills, and Processes. Rather than mapping the life cycle of an employee, companies should map the life cycle of these three areas of organizational development. With this in mind, companies should ask themselves the following basic questions:

1. Is our strategy evolving along with market trends and customer needs?
2. Are we requiring that people develop new skills that are aligned with that evolving strategy, and are we providing adequate training for those skills?
3. Are we developing processes and providing tools to enable employees to fully utilize those skills in order to execute on our evolving strategy?

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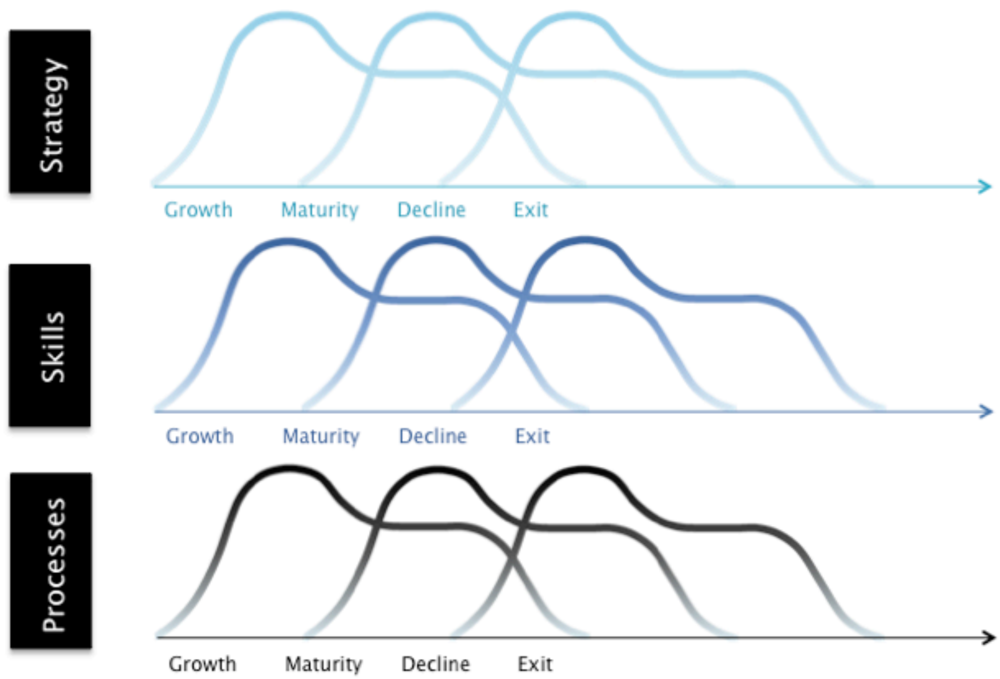
So we have three basic organizational areas to map, each with its own life cycle curve:



If companies can find a way to measure each of these three things, they can, in theory, also measure the vitality of their respective organizations. And, just as with product lines, greater vitality should equate to higher performing organizations. Further, by focusing on strategic, skill, and process development rather than years of experience, organizations should be able to achieve that vitality with minimum, or at least positive and planned, personnel turnover.

But how do we measure these potentially ambiguous developmental areas? Much like trying to determine the "x" variable in the product vitality index (where "x" is how many years a product is in its growth phase), companies must decide what the right measurements are for their own particular organizations. This will certainly vary from company to company, but it must be related to how often strategies, skills, and processes need to evolve in order to serve market and customer needs and to stay ahead of the competition. To determine this, companies will have to factor in market trends, technological trends, and industry trends – just as they would when they are developing product and business strategies.

Once determined, some typical measurements might look something like this:

Total # of New Strategic Initiatives / Total # of Strategic Initiatives = Strategic Vitality

Total # of Newly Trained Product Managers / Total # of Product Managers = Skill Vitality

Total # of New or Updated Process / Total # of Processes = Process Vitality

In this example, each respective "vitality index" would be calculated by dividing the "new" by the "total", just as you would for a new product vitality index. Whatever the decided metrics, what is important is that each of these areas are quantifiably measured, and that the company maintains the required balance to evolve their organizations along with their product portfolios.

So, to answer more directly the question of how companies can "continuously improve" their Product Management organizations, my response would be that improvement must be looked at on a macro, not micro, level, and that macro-level improvement can only be achieved by "evolving" your organization along with your product portfolio. But true evolution does not come in the form of changing large numbers of people around. Instead, you evolve your people by evolving the environments that they work within. Focusing on strategies, skills, and processes is one way to achieve this without drastic or ineffective turnover that can leave employees feeling inadequate and deflated, and will inevitably drain valuable time and resources from the organization. Instead, companies can "continuously improve" their organizations by allowing those organizations to continuously learn, continuously grow, and continuously evolve. Give people new adventures, and the organization will stay forever vital. And, with that, your company will continue to prosper.

About the Author: Bob Caporale is the President of The Product Management Executive Board and Sequent Learning Networks. Bob has over 20 years of experience leading marketing, R&D, and Product Management functions for several large international corporations, and is also an accomplished keyboardist and composer, having written, produced, and marketed several independently released musical albums and projects - a feat that he proudly adds to his portfolio of product management experience! Bob can be reached at bcapo@sequentlearning.com.