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Market-Driven Portfolio Management

Michael Marfise (August 20, 2007)

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Managing product development projects with market-driven processes can shorten the release cycle, improve market alignment and increase visibility into the way requirements and contingencies are tied together. It can also provide the framework to create and execute project plans that withstand second-guessing and resist scope creep.

Managing a product portfolio involves more than just balancing resources for existing products. Companies need to maintain a full pipeline of new products and product enhancements, while also deriving more and more value from their product development process. For many companies, this process is driven internally, with a focus purely on allocating resources, ROI and risk/return. But the increasing pace of business change and higher expectations from customers is compelling companies to re-think how they manage and develop their suite of offerings.

As innovation becomes more critical to driving competitive advantage, organizations are responding by building their products based on a market-driven methodology that shortens the product release cycle, improves product-to-market alignment, and clears the way for projects that run more smoothly and predictably. From the project manager's perspective, a market-driven portfolio increases visibility into the way requirements and contingencies are tied together. This reduces risk, uncertainty, and the likelihood of changes downstream.

This article discusses the move from an internally-driven product portfolio mindset in favor of one that focuses on delivering market value, and illustrates how the market-driven portfolio can positively impact the build process as well the bottom line.

From Market Data to Product Requirements

In the rush to get products out to market faster, or to meet highly aggressive product development schedules, many companies begin building future products or product enhancements before any significant product planning has been completed. This "development for development's sake" fails to integrate customer or market data early enough into the development process. The resulting disconnect between market need and development activity leaves the project vulnerable to frequent revision. This creates a challenging environment for the project manager, to whom managing risk and uncertainty are first priority. Without prior due diligence as to why particular product components

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are being built, the entire project plan is susceptible to change, causing project managers to re-draft their project plans, scramble to identify orphaned requirements and manage interdependencies, and struggle to stay on schedule and on budget.

Market-driven portfolios, on the other hand, naturally incorporate comprehensive customer information and market research into the product planning process, before development begins. They create easily traceable and amply supported links between product requirements and the business problems they're intended to solve. They enable greater alignment between product and overall corporate strategy. They also produce a consolidated view of data that gives project managers complete visibility into the decisions underlying a project's definition.

Market-driven portfolios take into account detailed feedback from all audiences — customers, analysts, sales prospects, partners — which then becomes part of the planning environment. They also include the wealth of customer and product feedback that may already exist within an organization, in the form of documents, surveys, a CRM database, bug-tracking systems, spreadsheets and e-mails.

Market-driven portfolios also include the data analysis necessary to link product requirements and enhancement requests to specific business and project goals. They make use of themes that validate that release goals are consistent with product strategies. They may also categorize and prioritize requirements information in multiple ways, such as: customer preferences; market segment and micro-segment preferences; competitive gap; or whether and how much requested features support product/planning themes.

Project leaders can use this wealth of market-driven information to better anticipate risk. They can create a more detailed project plan, make more accurate assumptions, and more precisely assign resources. For example, requirements that are more thoroughly justified by market demands are easier to translate into work tasks, for instance. This helps protect the integrity of the project estimate and definition, increasing the likelihood of a successful outcome.

Linking Market Data and Corporate Strategy

When you can view individual customer needs in the larger context of your overall business, you can better analyze whether the improvements your project targets are consistent with the strategic goals and objectives of the organization as a whole. Understanding how business goals and technology initiatives can complement each other decreases the possibility that a significant strategic disconnect will later be revealed and cause a serious project disruption downstream.

In a market-driven portfolio, the product manager uses market and requirements data to develop, model and analyze product strategies against corporate goals, product objectives and market conditions. Project managers can examine the results of these analyses when laying out the project plan. They can use “what-if” scenarios to compare and contrast alternative plans using cost, payoff and alignment analyses, and compare them to overall corporate objectives and project plans. And they can examine how planned features support product planning themes.

Integrating Market Trends into the Requirements Process

Market trends are amalgams of data points that can come from a variety of sources: analysts reports, evolving competitive products, new technologies shaping the market, shifts in attitudes or customer buying habits. The market-driven portfolio captures this “voice of the market” and ties it into specific product requirements. The product manager then weights those requirements. For instance, the product manager may base a potential new feature on a need identified in an industry analyst report, and would weight that

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new feature according to how much influence that analyst wielded. In the product plan, that requirement is linked to that analyst report, so you can always trace a feature back to its original source if you need to justify the resources you've allocated to build that feature.

You can also maximize your finite resources by measuring them against market impact tradeoffs via scenario and alternative planning. This makes it easy to see how different combinations of requirements address the trends identified as most heavily impacting the business as a whole. If you identify any potential misallocation of resources based upon requirements weightings, you can advocate for additional resources early on — even before the project officially kicks off.

The “Voice of the Customer” in the Portfolio Assessment Process

Market-driven portfolio management requires ongoing — not periodic — research. The key to practicing an effective “voice of the customer” program is to generate ideas and input from customers continuously — not just centered on the current release — then record their feedback in a database and share that information externally as well as internally.

Implementation and sales teams comprise one good way to obtain this input. Another is to create “communities of social innovation” out of the customer base, such as:

- An online forum for customers to communicate with each other.
- Customer focus groups and summits.
- A self-service portal where customers can submit suggestions and ideas, view and rate each other's ideas, and track the status of enhancements they may have sponsored.

When you can see how customer desires were taken into account when product strategy/build decisions were made, you can plan your project with more confidence. Market-driven portfolios minimize the likelihood of surprises, such as when a sales representative intervenes midway through the build process because he thinks his customer hasn't been properly represented in the development cycle. Further, sharing your visibility into customer feedback with your team can illustrate the direct positive impact their development activities will have on specific customers. This gives team members' work more meaning and can keep morale high through the inevitable difficult stretches.

Reducing Time to Market

What effect does a market-driven portfolio have on the product lifecycle and project management process? In general, the greater insight into and visibility of thoughtfully weighted customer and market preferences can accelerate time-to-market by making possible faster and more effective product planning. Project managers can create a more realistic and reliable project plan and better optimize the critical path schedule. As a result, you may be able to set aside a smaller percentage of the total project budget as a contingency for late changes, freeing up yet more resources for the project directly and further accelerating development.

Better-documented requirements also provide stronger justification when there are pressures to change scope or revise budget commitments. What-if and alternate scenario planning further enable project managers to gauge the impact of any given change request, and to identify and take into account orphaned nesting dependencies.

In addition, a market-driven portfolio can help eliminate project waste, such as:

- Duplicate efforts between teams or business units who do not know they are working on the same problem
- Costly design and engineering changes late in the development cycle due to poor definition of a particular feature or requirement
- Resources wasted on developing features that are irrelevant to a product's overall success

A market-driven portfolio is resistant to “scope creep.” It essentially provides more ammunition to preserve the scope-budget relationship, while providing other project stakeholders with less need to challenge schedule or resource allocation mid-stream.

The key to good product development is building the right features in the right product at the right time. Market-driven portfolios are a crucial component of good product development. They compel development organizations to understand their market, link products to business strategy, prioritize requirements, and understand alternatives and impacts of decisions. They also deliver the tools and information project managers need to create and execute a project plan that is less subject to change and more able to withstand second-guessing and untimely scrutiny.

Finding Solutions to Assist With Market-Driven Portfolio Process

With this much data to gather and analyze, using a robust enterprise product planning application is a critical aspect of market-driven portfolio management. A suitable product planning and portfolio management solution should serve as a database for organizing requirements. It should also integrate decision-making and analysis and voice of the market data capture. It should provide views across your entire portfolio. The solution should also facilitate linkage between products and markets, customers and business strategies. Finally, robust enterprise product planning technology should make it possible to:

- ___ Capture valuable voice of the market information in an automated fashion
- ___ Create a single, current repository of all relevant customer, market, competitor, cost and resource data
- ___ Rank requirement, product and portfolio priorities based on strategic goals, customer commitments, costs, resources and benefits
- ___ Analyze trade-off decisions based on updated assumptions
- ___ Create alternative scenarios for fast side-by-side comparison
- ___ Develop detailed market, product, and technology roadmaps
- ___ Ensure ongoing alignment between plans and strategy
- ___ Trace the source and priority for every task, project, and product back to its original business justification, and make sure they are aligned with corporate objectives

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