

PRODUCT LEADERSHIP

Creating Value for Customers



ARE YOU RESPONSIBLE FOR A SPECIFIC PRODUCT OR SERVICE?

Many professionals are tasked with the responsibility of serving as product leaders for their practices and companies. However, few academic programs provide formal instruction regarding the roles and responsibilities needed to be an effective product leader. A failure by the product leader to stay apprised of the changing and disruptive forces taking place in his/her industry could have significant consequences on the company's profitability, customer retention, and brand value. This article outlines the major responsibilities of product leadership. First, we need to define key terms involved in product leadership:

- Products can be defined as ideas, methods, information, knowledge, applications, services, and tangible objects which satisfy a want or need. Products have a combination of both tangible and intangible attributes (e.g., benefits, features, functions, uses) that a seller offers a buyer for purchase.¹ In other words, products create a value that a customer is willing to buy.
- Disruption is any environmental, social, economic, or technological behavior or activity that could impact the delivery and purchase of a product. Disruptions represent external influences that can adversely impact a company's capabilities. These influences should be evaluated during the product risk assessment process.
- Creative destruction describes the process in which new innovations replace and make obsolete older innovations.² A notable example of creative destruction is the transformation of communication. The way we communicate has evolved from couriers and the Pony express to the telegraph, to hardwired telephones, to satellite supported cellular phones. In simpler terms, creative destruction is another term for true innovation.³
- Capabilities are the systems and processes of converting inputs (e.g., labor, raw materials, infrastructure, technology, knowledge, and services) into a value a customer will purchase. These "values" take the shape of products and services.

Product leaders should be the entrepreneurs within their organizations, focused on creating value for current and future customers. They are their companies' thought leaders for value creation. Charles Koch's "Principled Entrepreneurship" provides an excellent job description for product leadership, "Maximizing the long-term profitability of the business by creating superior value for our customers while consuming few resources and always acting lawfully and with integrity."⁴

Product leaders are responsible for product development, pricing, delivery, and continuous improvement. They collaborate with customers (both current and prospective), suppliers, partners, and other industry stakeholders (e.g., associations, regulators, third parties) to develop products that customers will purchase at an acceptable price. In most cases, product leaders serve as their companies' subject matter experts (SME) for their products and the values that those products provide customers with.



In addition, product leaders must facilitate the success of other functions in the company, especially sales and operations. Whether the product vision is incubated by the chief technologist or marketing or the product leader, design concepts must be translated into actionable plans that can be successfully implemented and executed. Product leaders are responsible for assisting their organization in designing and building the necessary capabilities to successfully deliver the product. Poorly implemented capabilities for new products, often referred to as "product launch," can significantly impact current operations, customer relationships, and company performance. Similar frustration can be felt by the sales team when the value proposition, go to market preparation, and immature pricing strategies, are not ready to support product launch.

Product leader responsibilities for new products include:

- Developing the value proposition to satisfy a customer's need. The value proposition answers the 5W's+H (i.e., Who, What, Where, When, and Why, + How). In broad terms, it defines who the customer is, what value/product the company is providing, where the product is being delivered, when is delivery of the products expected to start, and why should the customer purchase the products from the company. If possible, product leaders should validate purchase commitments from customers as early in the new product development cycle as possible. "No one can decide which products and services the customer values better than the customer ... however, we can suggest a better way to satisfy him or her," said Charles Koch.⁵ The value proposition should include a high-level plan for how the product will be produced, delivered, and supported.
- Building the capabilities, including the systems and processes, needed to deliver the products to the customer. These processes or functions represent the organization's capabilities to convert inputs to outputs (i.e., products and services). Charles Koch, chairman of Koch Industries, America's second largest private company, cites as one reason for their success – "understanding and constantly improving and adding to our capabilities and pursuing the opportunities for which they can add the most value."⁶
- Establishing product pricing strategies to ensure financial performance. Leaders should be familiar with the different strategies for product pricing and concepts of pricing power. Pricing power refers to a company's ability to set prices for their products that customers are willing to continue to buy. There are multiple sources of pricing power to include product differentiation, limited market, high costs to switch to alternatives, and economies of scale. In Samantha Nielson's article 'Apple's Premium Pricing Strategy, Product Differentiation,' she writes, "As a result, the company has power over prices through product differentiation, innovative advertising, ensured brand loyalty, and hype around new product launches. By focusing on customers willing to pay more and maintaining a premium price at the cost of unit volume, Apple also set up an artificial entry barrier to competitors."⁷

- Developing the go-to-market (GTM) strategies (e.g., value positioning, collateral, channels to communicate offering to potential clients, talk scripts, intra-company cross- and up-sell, third-party cross-sell) to successfully launch and sell the product. Product leaders are responsible for educating and arming the sales staff with the necessary tools needed to sell the product. In addition to GTM collateral and campaign supporting materials, practice leaders are responsible for educating and training the sales and support staff on their products, including value proposition and pricing.
- Determining the timelines, schedules, and necessary steps needed to move the product idea/concept to delivery (i.e., available to customer). Product leaders need to work closely with the other functions of the company (e.g., sales, marketing, operations, distribution, technology, R&D, and finance) to ensure the product is produced to specifications and delivered on time.

Once their products have been successfully launched, product leaders must continuously guard against complacency and disruption. Product leaders need to improve and expand their product offerings to customers, lead the creative destruction process for their areas of responsibility, identify new opportunities for existing capabilities, and find new capabilities that can help the company grow. Also, product leaders must continuously enhance their professional and technical knowledge as their companies' thought leaders by attending educational workshops, reviewing professional publications, establishing personal networks, and participating in professional societies. Charles Koch, summarizes the role of effective product leadership, "To create more value and drive creative destruction faster and better than any existing or potential competition."⁸

In summary, product leaders are responsible for owning the success of their products from concept design, through development, to delivery. Success is measured by customer retention and short- and long-term profitability. Product leaders play a key leadership role in translating and facilitating product concepts and designs into deliverables that benefit both customer and company. A critical component to profitability is the application of effective pricing strategies. Product leaders must ensure they remain diligent in providing value to their customers or risk being on the losing side of creative destruction. Charles Kock writes, "To generate

good profit, it's critical not only to understand but to anticipate what customers value, their expectations, measures, incentives, needs, alternatives, and decision-making processes.”⁹ As their companies' internal entrepreneurs, product leaders are responsible for the capabilities that delivery value to its customers, now and in the future.

If you need help improving your product management, please contact Ensuring Legacy (mslavik@EnsuringLegacy.com or 440-781-2195).

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