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The Business Impact Of Investing In Product Management

How Strong Product Management Practices
Drive Better Business Outcomes

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Project Team:
Rachel Baum, Market Impact
Consultant

Nick Phelps, Market Impact
Principal Consultant

Lillie Sinprasong, Associate
Market Impact Consultant

Contributing Research:
Forrester's Product
Management research group

Executive Summary

Effective product management is more important than ever. Demand for digital products is increasing alongside a dramatic rise in customer expectations, creating growing complexity in the product management function.[1] Product management's success directly contributes to organizational business outcomes. Investing in effective product management practices and empowering product management organizations with sufficient resources and fit-for-purpose tools contributes to this achievement.[2] Yet, businesses are not sufficiently investing in product management. Instead, product management organizations are rarely in control of their budgets and tool selection, nor are these tools well-integrated across other business-critical tools organizations use.

In August 2022, Productboard commissioned Forrester Consulting to examine challenges facing the product management function, what successful organizations are doing differently, and the outlook for reaching future goals. Forrester conducted an online survey of 513 product strategy and product management tool/solution selection decision-makers and found that, despite the known importance of product management to organizational success, few product management teams receive necessary levels of investment, nor are they involved in investment decisions impacting their organizations. However, the organizations that are advancing their product management practices are more likely to overperform on their business-critical goals, demonstrating how important the product organization is to the overall health and growth of a business.
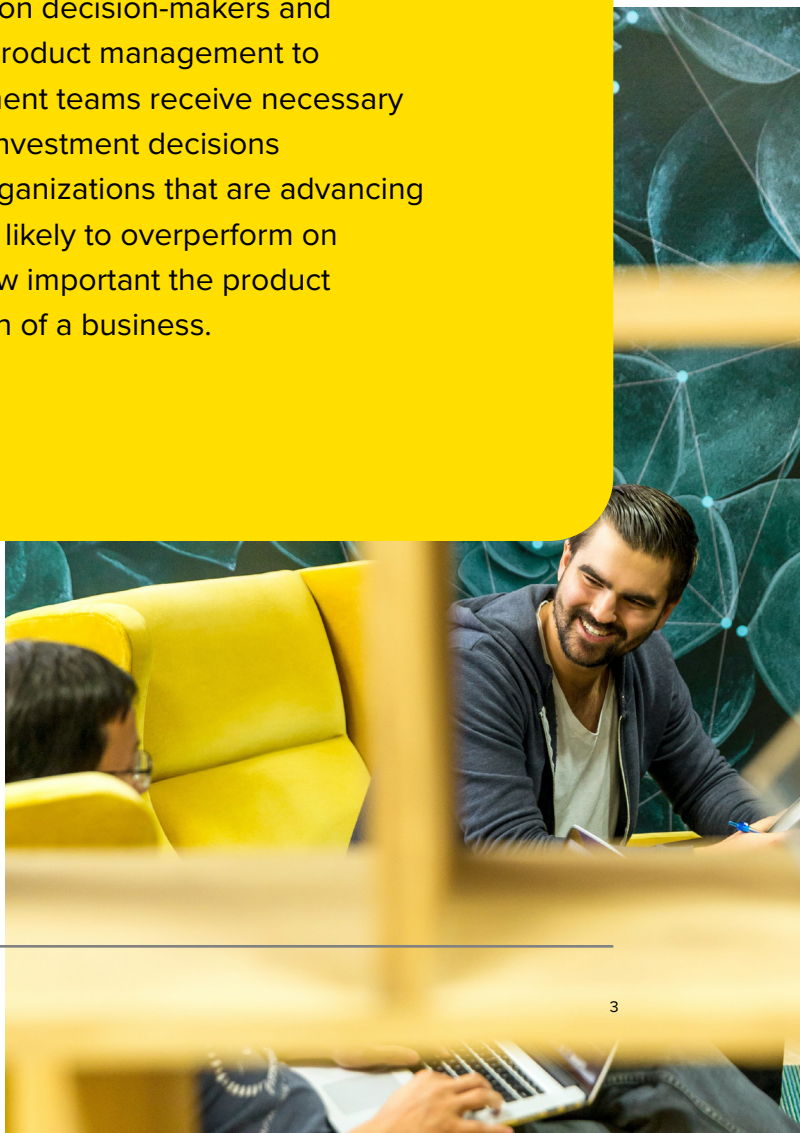
Key Findings

Pressure on product management is growing as its role becomes more pivotal. Product managers are expected to evolve, improve, and drive specific customer and business outcomes with their products faster than ever before. They have greater responsibility for driving cross-functional alignment around priorities to ensure the right offering investments are made. This requires them to improve product management processes and upskill teams.

Organizations aren't sufficiently investing in their product management organizations. Despite their cross-organizational importance, the product management function is expected to do its business-critical work without sufficient investment and resources fit for the purpose of its roles. This team has little to no say in technology selection and is left using disparate tools that often do not integrate with other business-critical tools at its organizations. Contributing to this is a disconnect between leadership and those in the product group with the C-level believing their product management practices and investments are more advanced.

**Investing in product management drives business outcomes.** Product management organizations that are overperforming on business outcomes have stronger product practices and dedicated tools specifically designed for their roles and workflows. These organizations are more likely to overperform on business-critical goals, including revenue growth, operational efficiency, and improved customer experience (CX).

As The Product Management Role Becomes More Pivotal, Pressure Grows

Successful product management is more important to business' success than ever before, and expectations leveled on the product management function are increasing steadily as demand for innovative, digital products also increases. As organizations continue to increase their digital product offerings, the importance of customer-centricity grows, and product managers are tasked with keeping pace with a rapidly changing market and delivering specific business and customer outcomes.

Forrester believes that the role of digital product management is critical to the continued success of digital products and, subsequently, the organization.[3] Today, product managers find themselves under constant pressure to deliver on current priorities while anticipating future needs.[4] Our study found that:
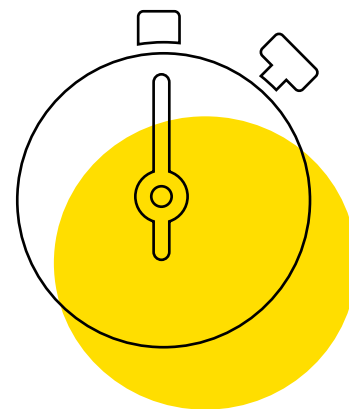
- **Product management is under pressure to quickly address customer needs.** As organizations continue to add and enhance digital product offerings, product management is feeling the pressure. Over the past two years, respondents have seen a growing focus on customer-centricity (88%) (see Figure 1). Many respondents agree that customers expect products to evolve alongside their needs very quickly (94%) and organizations are collecting more customer feedback than ever (90%) to quickly address market needs. Respondents also have increased responsibility to drive specific customer outcomes (90%).

- **Product management has increased responsibility in driving business outcomes.** Over the next 12 months, firms are prioritizing revenue growth, increasing operational efficiencies, and improving their ability to innovate. Within the product management organization, these priorities are reflected in the shifts in its division-specific

priorities. Respondents have an increased responsibility to ensure products drive specific business outcomes (90%), which leads to revenue generation. Cross-functional alignment and collaboration has become an integral to business success (90%), and a greater focus on improving product management processes (90%) reflects an organizational need to resolve operational inefficiencies. Greater focus on upskilling and modernization (90%) improves an organization's ability to innovate.

Figure 1

Product Management Has Evolved Over The Last Two Years

● Agree　　● Strongly agree

	Agree	Strongly agree	Total
Customers expect our products to evolve alongside their needs very quickly.	48%	46%	94%
As products evolve more quickly, cross-functional alignment and collaboration are increasingly critical for success.	53%	37%	90%
We have an increased responsibility to ensure our products drive specific customer and business outcomes.	52%	38%	90%
My organization is collecting more customer feedback than ever before.	49%	41%	90%
There is greater focus on product management's need to upskill and embrace more modern practices (e.g., continuous discovery).	55%	35%	90%
There is a greater focus on improving product management processes.	49%	41%	90%
Increased demand for digital products and experiences has expanded the breadth of product management responsibilities.	50%	39%	89%

Base: 513 product management strategy decision-makers
Note: Showing top 7 responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Productboard, November 2022

- **Product management organizations find it more challenging to deliver on their organizational business goals.** Growing revenue, continuing to innovate, and increasing customer retention are all more challenging to achieve today than they were two years ago (see Figure 2). The proliferation of product-led growth and recurring revenue models, which demands increased focus on innovation and improved CX to achieve organizational goals, drives this.

Figure 2

Achieving Business Goals Is More Challenging Than It Was Two Years Ago

RANK	BUSINESS GOAL
1	Grow revenue
2	Improve ability to innovate
3	Increase customer retention
4	Shorten product development cycles
5	Improve customer experience
6	Improve differentiation in the market
7	Accelerate digital business
8	Evolve the product portfolio

Base: 513 product management strategy decision-makers
Note: Showing top 8 responses.
Source: A commissioned study conducted by Forrester Consulting on behalf of Productboard, November 2022

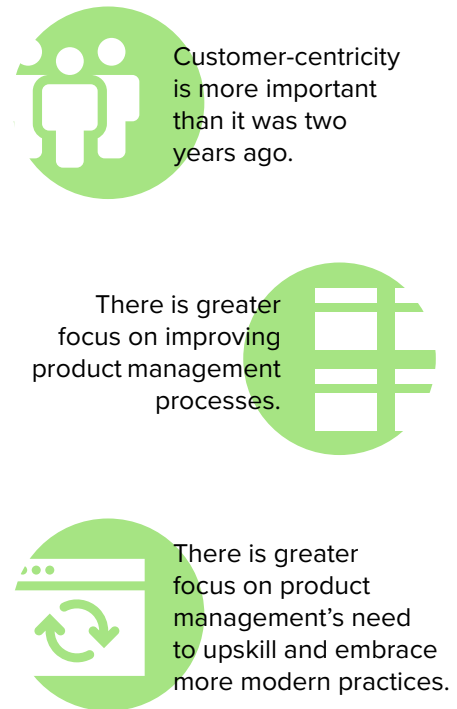## WHAT ARE THE CHARACTERISTICS OF HIGH-PERFORMING PRODUCT ORGANIZATIONS?

- **Product management organizations that are overdelivering on their goals have embraced customer-centricity.** Respondents whose businesses are more likely to overperform on their critical business goals show product organizations leaning into customer-centricity, collecting more customer feedback, and playing an important role in identifying

customer problems that require identifying and deploying solutions and identifying solutions (see Figure 3).

- **Successful product management teams actively invest in advancing their practices.** In addition to focusing on customer-centricity, high-performing businesses have increased the breadth of product management's responsibilities and have given them more ownership of these responsibilities. Subsequently, there is also greater focus on supporting product managers through upskilling; providing effective, fit-for-purpose tools; and embracing modern product management best practices.

- **High-performance organizations use high-performance technology.** The respondents who anticipate their businesses will overperform on their critical goals are almost twice as likely to use a dedicated product management platform while being nearly half as likely to use rudimentary spreadsheet and document tools. Highly successful businesses are aware of the specific needs of the product management organization and the importance of investing in the tools it needs to succeed rather than expecting product managers to get by with tools that do not fully support their increased responsibilities. Respondents at successful organizations also more frequently report that their tools are completely integrated with other business-critical technologies.

Figure 3

All high-performing respondents agree that:

Customer-centricity is more important than it was two years ago.

There is greater focus on improving product management processes.

There is greater focus on product management's need to upskill and embrace more modern practices.

Base: 54 product management strategy decision-makers who anticipate overperforming on business goals over the next 12 months
Note: Showing "Agree" and "Strongly agree"
Source: A commissioned study conducted by Forrester Consulting on behalf of Productboard, November 2022

High-performing organizations are almost 2x as likely to use a dedicated product management platform.

Despite the increased ownership that the product management function has of overall business success, there is a discrepancy between the importance of the product management organization and the agency it's granted to select the tools and technologies that its employees need to succeed in their role. Because of this, they often find themselves using many disparate tools and technologies, few of which are specifically designed for the product management function and lack the ability to support complex and strategic workflows. We found that:

- **Product management is not given the investment priority that reflects their importance to the business.** The product management organization, despite its importance, is flying under the radar of those with buying power. As a result, only 25% of respondents believe their tools are completely fit for the purpose of their work and allow them to deliver the best results (see Figure 4). Unsurprisingly, 65% of respondents "Agree" or "Strongly agree" that they have to compete with other divisions to secure funding for product management-specific tools and 54% "Agree" or "Strongly agree" that investment in product management-specific tools is not a priority at their organizations.

Figure 4

When it comes to product management tools:
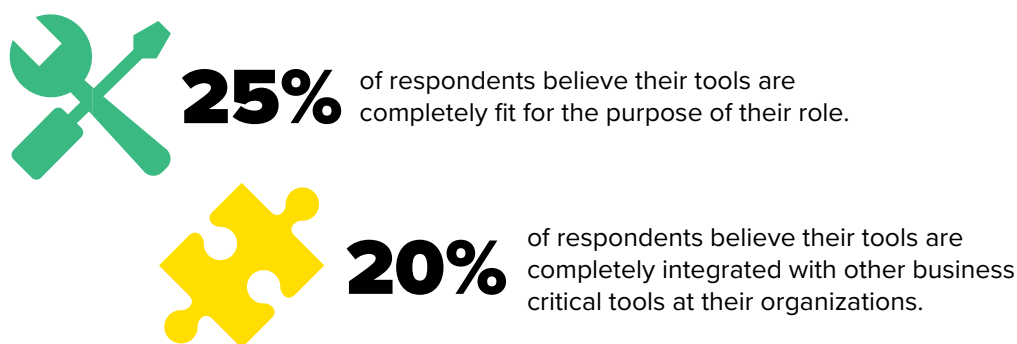
25% of respondents believe their tools are completely fit for the purpose of their role.

20% of respondents believe their tools are completely integrated with other business critical tools at their organizations.

Base: 513 product management strategy decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of Productboard, November 2022

- **The product management organization is using disparate tools to perform their work.** When asked about the tools and technologies they use to do their jobs, respondents indicated that their time is fragmented across a variety of tools that may or may not interoperate. Just 20% of respondents believe their tools are completely integrated with other business critical tools at their organizations, which hinders operational efficiency and the ability to effectively achieve organizational business goals.

- **Product management leaders have little control or choice in the tools their organizations use.** Considering the lack of role-specific tooling respondents' organizations currently use, it is unsurprising that few product management divisions own the tool selection process. Only 36% of product management decision-makers indicate that the product management function owns the budget for buying its own tools, and 39% report that the product management function has final say in selecting the tools that employees use to do their jobs, if they have any say at all. Only 29% of respondents report that they are thoroughly involved in selecting tools for product management use cases.
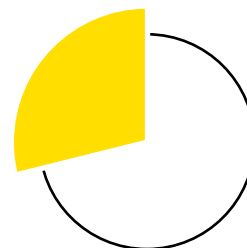
Just **29%** of product management decision-makers are thoroughly involved in selecting their own tools.

- **Organizational goals are getting harder to achieve, especially without fit-for-purpose tools.** Respondents anticipate that their critical business goals will be more difficult to achieve compared to two years ago. Reducing costs (62%), growing revenue (62%), and increasing operational efficiencies (60%) are most concerning to respondents. Over half of decision-makers also report more difficulty with shortening product development lifecycles, despite the wide swath of tools currently in use at their organizations. Product leaders are expected to drive business goals including revenue and growth.[5] Without fit-for-purpose tools that are integrated across other business-critical technologies and a proper say in what tools are selected for product management, these goals will continue to remain elusive to the product management function and, therefore, the organization at large.

A DISCONNECT BETWEEN C-SUITE AND DIRECTORS/MANAGERS IS CONTRIBUTING TO CHALLENGES

Our research also shows that a gap is forming between the C-suite's perception of the product management organization and those who are responsible for fulfilling the demands of the role. Furthermore, this gap negatively impacts business' investments in product organizations and the tools they need to support their work. We found that:

- **Perceptions of the state of the product organization are rosier from the C-suite.** In general, C-level respondents have a more optimistic view of the overall strength of their product organizations. Fifty-six percent of C-suite respondents "Strongly agree" that the product management team has a clear understanding of strategy and objectives and how their initiatives fit into the greater business objectives of their organizations. However, just 30% of respondents at a manager level feel the same. Additionally, 50% of C-level respondents believe their organizations will overperform on their goal of increasing operational efficiencies while only 41% of managers feel similarly optimistic. When asked to evaluate the effectiveness of their product management programs, C-suite respondents were far less likely to admit their firms were struggling (13%) compared to the managers (50%) who are responsible for executing these product management strategies. It's clear that there is a disconnect between the C-suite and directors, managers, and practitioners that must be remedied with better communication between roles and a greater willingness of the C-suite to listen to the product organization to assess its strengths, investment needs, and pain points.

- **Senior leaders overestimate their business' level of investment in the product management organization.** While 40% of C-level respondents believe that the current set of tools the product management organization uses is completely fit the purpose of the product management roles, only 25% of directors and just 16% of managers agree. The C-suite is also more likely to believe that the product management function is thoroughly involved in tool selection (44%) compared to managers (18%). One element that roles do agree on is the lack of integration of product management tools across other business-critical technologies. But it is evident that they have not yet figured out how to overcome this roadblock to organizational efficiency.

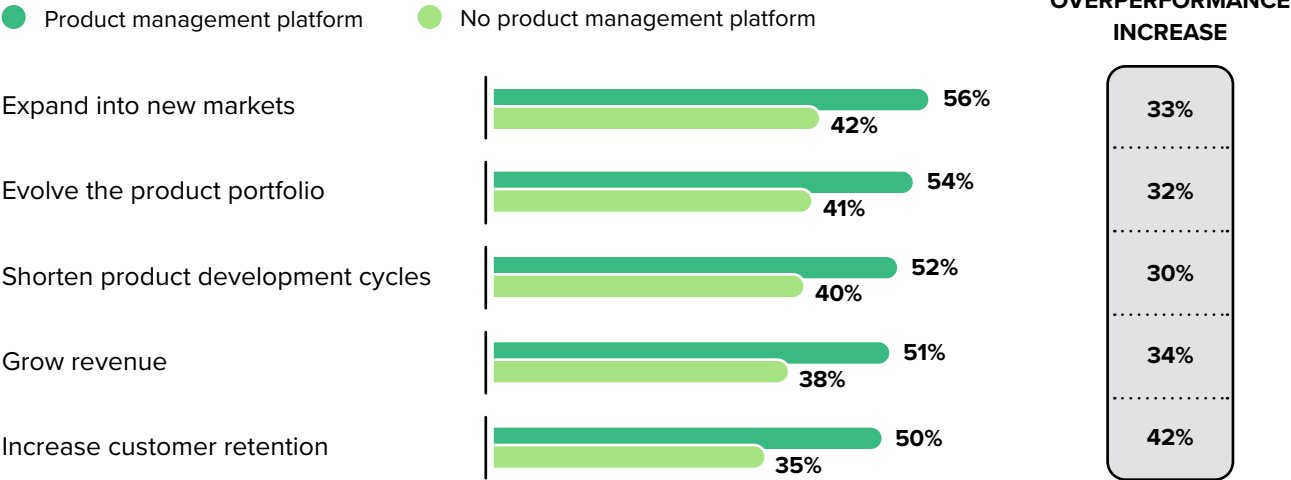# Strengthening The Product Organization Strengthens The Business

As pressure on the product management organization continues to build, and organizational goals become more challenging, examining the connections between product practices, the tools and technologies in use, and how they affect overall business goals is imperative. When examining the entirety of the data, the majority of respondents don't believe their organizations will overperform against critical business goals this year. However, when parsing the strength of respondents' product organizations and current tools and technology in use, the data becomes more nuanced. We found that:

- **Fit-for-purpose technology empowers product management organizations to deliver better business results.** Strong product organizations use fit-for-purpose tools and technology, such as dedicated product management platforms. Survey respondents who are using dedicated product management platforms are more likely to effectively launch products and enhancements; make informed product enhancement and investment decisions that align with customer needs and organizational growth strategy; and make processes more effective and efficient. Likewise, those using dedicated product management platforms are more likely to overperform on their high and critical business goals, including growing revenue, increasing customer retention, and evolving the product portfolio (see Figure 5).

- **Strong product management practices lead to better business outcomes.** To examine the strength of their product organizations, we asked respondents to rate their organization's programs across six key categories: customer centricity, strategic alignment, informed decision-making, accountability, continuous improvement, and tools and resources (see Figure 6). When examining the efficacy of the respondents' product organizations, those in the strongest group were more likely to overperform on their high and critical business goals despite these goals being more difficult to accomplish than they were two years ago.

Figure 5

Organizations Using Dedicated Product Management Platforms Are More Likely To Overperform On Business Goals
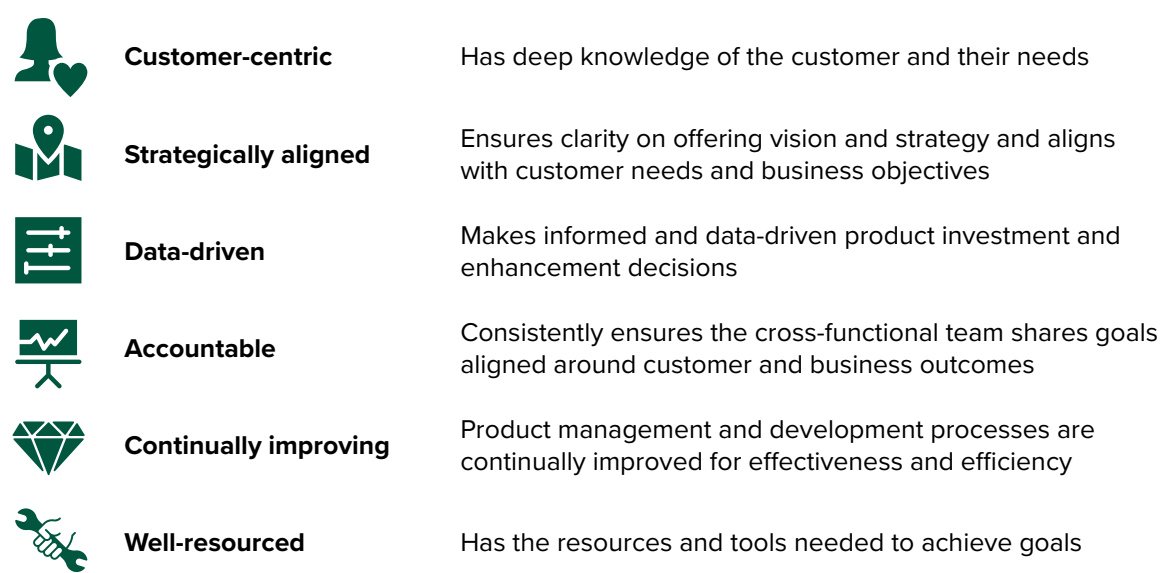
(Showing "Will overperform" and "Will significantly overperform" on goal)

● Product management platform   ● No product management platform

PM PLATFORM OVERPERFORMANCE INCREASE

Goal		Increase
Expand into new markets	56% / 42%	33%
Evolve the product portfolio	54% / 41%	32%
Shorten product development cycles	52% / 40%	30%
Grow revenue	51% / 38%	34%
Increase customer retention	50% / 35%	42%

Base: 513 product management strategy decision-makers
Note: Showing five responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Productboard, November 2022

Figure 6

Product Management Success Rests On Six Factors

Customer-centric — Has deep knowledge of the customer and their needs

Strategically aligned — Ensures clarity on offering vision and strategy and aligns with customer needs and business objectives

Data-driven — Makes informed and data-driven product investment and enhancement decisions

Accountable — Consistently ensures the cross-functional team shares goals aligned around customer and business outcomes

Continually improving — Product management and development processes are continually improved for effectiveness and efficiency

Well-resourced — Has the resources and tools needed to achieve goals

Base: 513 product management strategy decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of Productboard, November 2022

- **Improvements aren't confined to just the product management function.** The biggest lift in goal overperformance is unsurprisingly within the goals where the product organization has the most impact: increasing operational efficiencies, evolving the product portfolio, and accelerating digital business (see Figure 7). However, across all critical business goals, including reducing costs, growing CLV, and improving ability to innovate, businesses with strong product organizations are more likely to overperform.
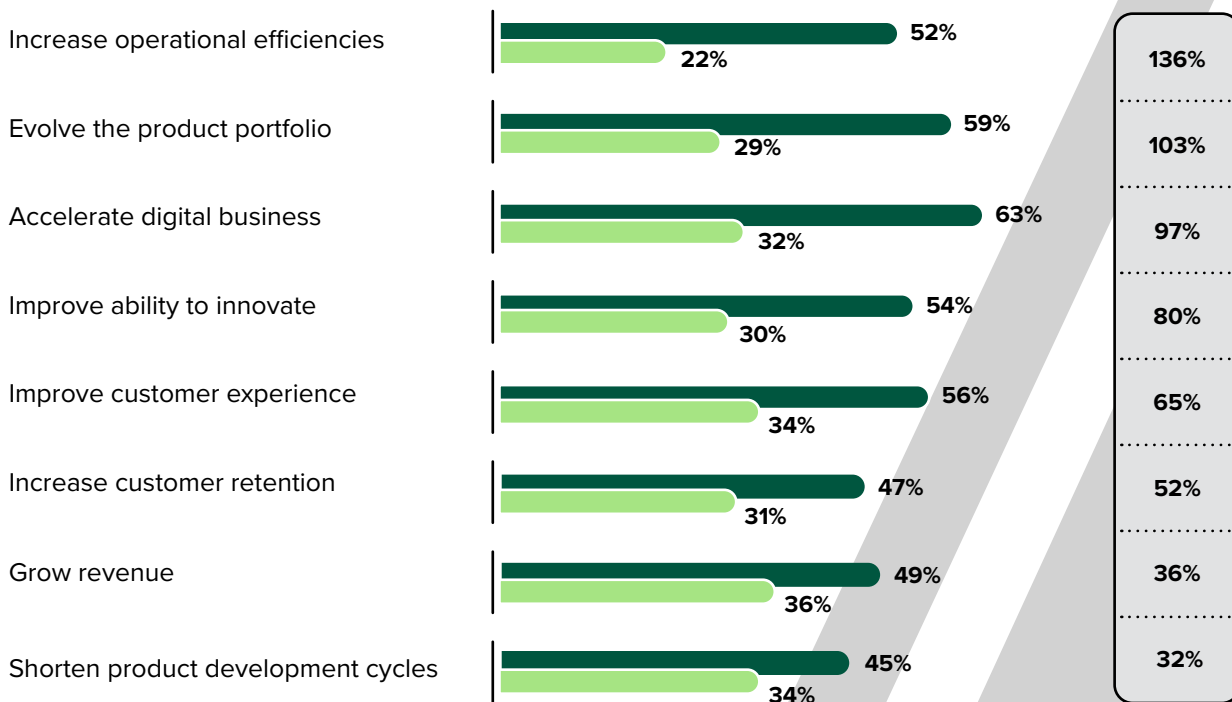
Figure 7

Advanced Product Management Practices Drive Better Business Outcomes

(Showing "Will overperform" and "Will significantly overperform" on goal)

● Strongest   ● Weakest

ADVANCED GROUP'S OVERPERFORMANCE

Goal	Strongest	Weakest	Advanced Group's Overperformance
Increase operational efficiencies	52%	22%	136%
Evolve the product portfolio	59%	29%	103%
Accelerate digital business	63%	32%	97%
Improve ability to innovate	54%	30%	80%
Improve customer experience	56%	34%	65%
Increase customer retention	47%	31%	52%
Grow revenue	49%	36%	36%
Shorten product development cycles	45%	34%	32%

Base: 513 product management strategy decision-makers
Note: Showing top eight responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Productboard, November 2022

Key Recommendations

Under pressure to continually evolve offerings to meet customers' increasing expectations, the product management function is ever more challenged to ensure offerings meet both customer needs and drive business success. Furthermore, product management's evolving role as the center of a virtuous circle of innovation means that investing in effective product management practices and resources is a business imperative.

Take these steps to better understand and advance your business' product management organization:

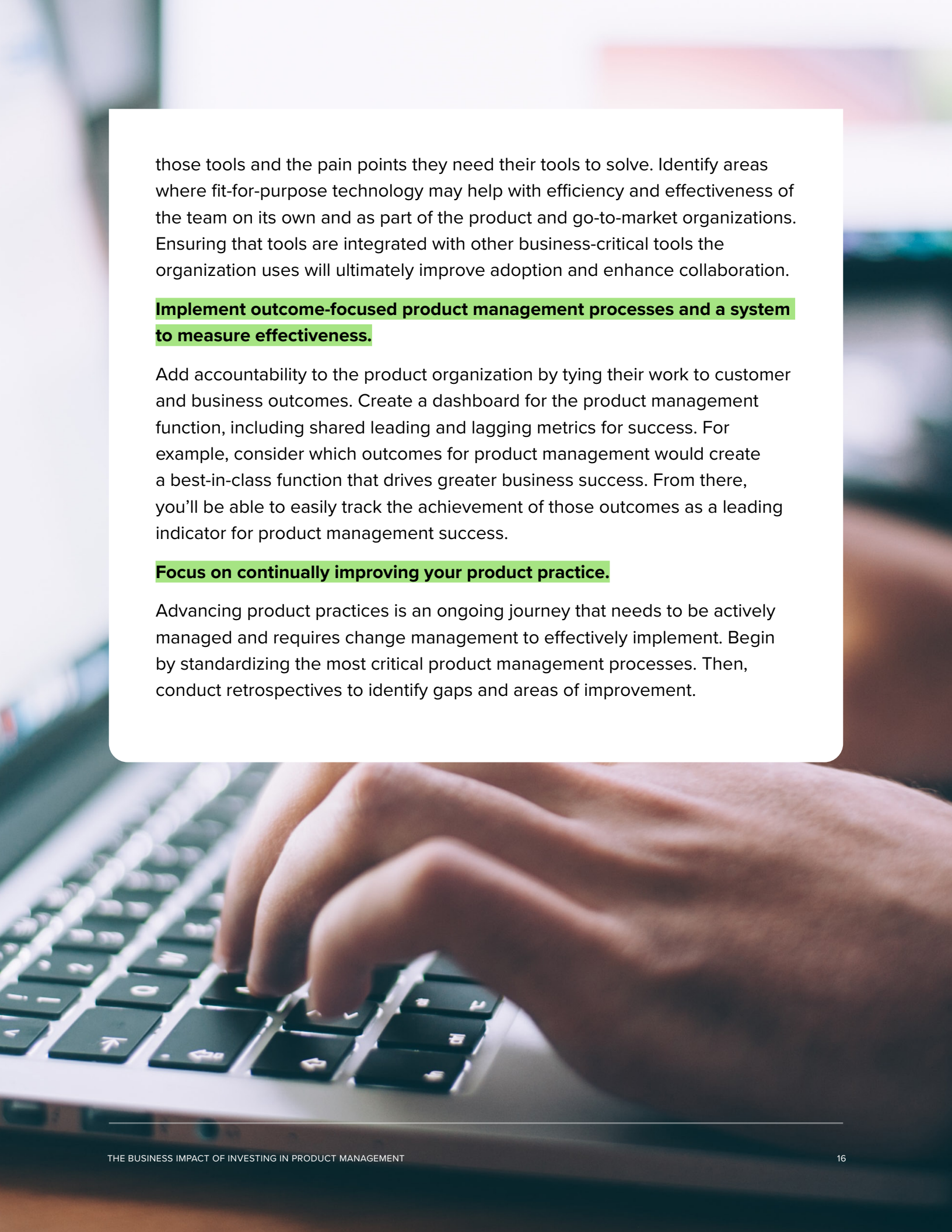**Assess your organization's current product management process.**

Conduct a gap analysis to identify areas of improvement in your product management process based on the six factors that lead to product management success: customer-centricity, strategic alignment, data-driven focus, accountability, continuous improvement, and appropriate tools and resources.

Adopt a customer-centric mindset and focus on delivering value to customers.

As markets and customer needs change at a greater pace, keeping a pulse on the market and quickly acting on emerging customer needs and opportunities will drive your product and your business forward. Establish a systematic way of collecting, synthesizing, and acting on customer feedback. From there, your organization can more easily focus on identifying foundational customer problems and implementing a process of continuous discovery and validation to iterate on the solution.

Ensure your team is effectively resourced by assessing its current technology.

Compile a list of technologies the product management team currently uses and determine the objective of each tool. Gain input from the product management team and from the adjacent functions on the effectiveness of

those tools and the pain points they need their tools to solve. Identify areas where fit-for-purpose technology may help with efficiency and effectiveness of the team on its own and as part of the product and go-to-market organizations. Ensuring that tools are integrated with other business-critical tools the organization uses will ultimately improve adoption and enhance collaboration.

Implement outcome-focused product management processes and a system to measure effectiveness.

Add accountability to the product organization by tying their work to customer and business outcomes. Create a dashboard for the product management function, including shared leading and lagging metrics for success. For example, consider which outcomes for product management would create a best-in-class function that drives greater business success. From there, you'll be able to easily track the achievement of those outcomes as a leading indicator for product management success.

Focus on continually improving your product practice.

Advancing product practices is an ongoing journey that needs to be actively managed and requires change management to effectively implement. Begin by standardizing the most critical product management processes. Then, conduct retrospectives to identify gaps and areas of improvement.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 513 product management strategy decision-makers at organizations in North America and Europe to evaluate the impact of fit-for-purpose product management tools on the product management organization and on business as a whole. Survey participants included decision-makers in product operations, product/line of business, and IT. Respondents were offered a small incentive as a thank-you for time spent on the survey. The study began in August 2022 and was completed in November 2022.

Appendix B: Demographics

GEOGRAPHY	
United States	21%
France	21%
United Kingdom	20%
Germany	19%
Canada	19%

SENIORITY	
C-level executive	23%
VP	11%
Director	25%
Manager	36%
Full-time practitioner	5%

ANNUAL REVENUE (USD)	
$1M to $99M	25%
$100M to $249M	23%
$250M to $499M	16%
$500M to $999M	8%
$1B to $5B	19%
>$5B	8%

DEPARTMENT	
Product operations	36%
IT	36%
Product/line of business	28%

Note: Percentages may not total 100 because of rounding.

Appendix C: Endnotes

[1] Source: "Planning Guide 2023: Product Management," Forrester Inc., August 23, 2022.
[2] Ibid.
[3] Source: "The Rise Of Digital Product Management," Forrester Inc., June 8, 2022.
[4] Source: "Evaluate Your Product Management Maturity," Forrester Inc., February 1, 2022.
[5] Source: "Planning Guide 2023: Product Management," Forrester Inc., August 23, 2022.

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