In today’s ever-evolving markets, technology leaders are realizing the need to bridge the gap between their information technology (IT) and business strategies in order to establish a technology-driven business.

**The need for change**

One of the biggest factors contributing to the visible gap between business and IT is IT's focus on individual projects stemming from the needs of independent business units. Projects can quickly become disconnected from the overarching business strategy, therefore satisfying the needs and providing value to a single business unit rather than the entire organization.

Organizations need to change their mindsets. They need to shift their focus from only meeting short-term needs through projects to letting IT support technology-enabled business outcomes that provide value-added services to the end-user.

**Defining technology products**

Technology products represent a way of logically grouping business capabilities and their underlying applications to allow for a specific business outcome. Defining technology products lets the IT organization align the work to how it is consumed by the end-user as opposed to how it is delivered by IT.

Using products instead of projects as the grouping of work changes the funding mechanism from initiatives that need to be justified every year into products that are reworked regularly to meet changing strategic objectives. Products are developed, incrementally improved through new or enhanced product features, and then are eventually retired based on business needs.

**Organizing IT delivery around products**

IT organizations have historically focused on designing, developing and managing software as projects—budgeted and delivered through temporary development teams. Once projects are deemed complete, they are closed, the team is disbanded and the projects are handed off and supported by a separate operations team. Obtaining additional funding to adapt or change the product in the future becomes a trade-off for new initiatives.

Alternatively, when IT organizations are organized around products, they apply a long-term focus on the organization’s business capabilities and align funding, development and management support to deliver on those business capabilities. In this model, business capabilities and their underlying applications are grouped into products based on the business outcome they provide. Product enhancements are then possible through IT projects.
Transitioning to product management requires a shift in the organization’s culture, as IT leaders adopt a product mindset and shift their focus to what needs to be accomplished rather than how the accomplishments are being delivered.

Organizations across various industries are adopting product management, each with its own unique variation. Although the variations are necessary to find the right fit model for an organization, there are two major elements organizations should focus on in order to support their transition to product management:

**Process changes**

Transitioning to product management requires key IT process changes that are aligned to products and allow for product-centric decision making. Key process areas that must be modified to operationalize product management with minimal disruption are:

**Funding allocation**

Historically, IT leaders have focused on funding and prioritizing IT projects. However, this model lacks the flexibility to respond to fast-moving digital opportunities and rapidly changing business requirements. Current budgeting processes make ongoing re-evaluation of funds very difficult. An annual funding request process means each project owner will need to secure considerable contingency funds, which reduces the organization’s ability to reallocate resources to shifting business priorities.

Leading IT executives are now aligning funding and resources to products. In this model, the product becomes the primary focus for setting spending priorities, allocating IT budgets and managing the budgets, while projects become the way in which the work gets done for a product. By prioritizing and allocating funds by products, IT leaders are able to uncover priority investment areas and shift their focus and funding toward the most critical business capabilities.

IT must define and adopt nimble processes that allow for product prioritization and investment allocation across products. Key metrics such as product usage and product adoption need to be defined in order to demonstrate benefits realized by the product and make quick and informed investment prioritization and fund reallocation decisions between products.
**Contracting mechanism**
Contrary to the project model, where a vendor is responsible for delivery of a single project, the product model requires a vendor to support the end-to-end delivery and maintenance of a product and all underlying initiatives/projects within a product.

This requires the contracting mechanism for a product to be radically different from that of a project. The IT procurement function should consider a candidate vendor’s capability to deliver the entire product and the organizations’ requirements for the entire product, rather than a one-off initiative. This helps shift focus from seeking solely technical skills required for one project to seeking technical skills and an understanding of the wider business outcomes.

In order to provide efficient and effective contracting for IT products, organizations need to move away from a one-size-fits-all approach and instead determine contract types based on certainty of the scope of work, mechanism used for product delivery (i.e. Agile, hybrid-agile or waterfall) and business requirements. Organizations must make sure the vendor is capable to deliver business outcomes related to the product throughout its lifecycle.

Vendor contracts for products can last longer since the vendor is contracted for end-to-end product support. It is important that processes are set in place to assess vendor competencies for the product and track vendor performance throughout the product life cycle, as well as identify and manage risks to deliver the highest returns and value for money with the lowest risk.

**Delivery mechanism**
Transitioning toward a products model enables organizations to adopt DevOps and Agile methodologies.

Organizations are introducing new delivery workflows and methods that join the concept of Agile (i.e. iterative software development) with DevOps (i.e. team structures and processes that take advantage of automation and establish collaboration between development, infrastructure and production support teams).

By focusing on products rather than projects, organizations can design development and delivery of those products as a series of frequent releases, where each release provides a business outcome and continuously builds on the previous releases.

Redesigning the product delivery process to incorporate Agile and DevOps methodologies will allow IT to streamline delivery, enhance business engagement and deliver rapidly and repeatedly. The new delivery mechanism engages the end-user and creates value on an incremental basis.

**Operating model changes**
By adopting product management, organizations can transform their traditional IT operating model and increase business collaboration and interaction (see Figure 4) through the establishment of key organizational roles and governance mechanisms.

**Organizational roles for product management**
A core attribute of product management is the establishment of main roles to support the products and allow for end-to-end management of products.

Establishing the product owner and product manager roles is key to the success of the product management operating model

**Product management roles in IT**
Dedicated product managers assume end-to-end accountability of the product. The product manager identifies important initiatives and oversees budget allocation and product outcomes. The role of a product manager requires a broader understanding of business strategies with a holistic outlook on providing business outcomes and value to the end-user, rather than an independent business unit.

Alternatively, product management responsibilities can also be split between two roles within IT: a business-savvy IT lead and a tech-savvy business lead for the product. This achieves greater business engagement and a shared responsibility for decisions related to the overarching product vision and strategy.

**Product management roles in business**
The product owner, the product management role in the business, is responsible for working closely with the IT product manager to define business requirements and be the voice of the business with IT. The product owner participates in key meetings (sprint reviews, demos, and planning reviews) and works within the product squad to make product decisions to achieve business outcomes.
In addition to defining the product manager role to assume overall accountability of the product, product delivery teams are assembled to use continuous delivery, DevOps and Agile methodologies (where possible) and deliver product features.

**Product governance**
Transitioning to product management has a significant impact on the governance process within the IT organization. IT governance should be elevated from project to product governance and should be used throughout the delivery life cycle.

The level of rigor for governance during product delivery will vary based on the product delivery approach. For example, when products are delivered using Agile methodologies and scrum frameworks, sprint reviews and sprint demos can be used to continuously monitor delivery progress through sprints to modify the level of oversight required by governance committees during product delivery.

A governance framework that takes delivery mechanism into account should be established to govern the products and oversee product planning, delivery and operations.
**Client insights**

By adopting product management as an operating model, our clients get more out of their technology investments and increased alignment of technology with their overarching business strategy. Product management retains the efficiencies of a central IT operating model, while benefiting from the high responsiveness associated with a decentralized IT structure. Some of the key benefits our clients achieved through product management are:

**Greater value**

By aligning IT products with key business capabilities, clients focus on critical business objectives and invest in areas that provide the greatest value. By matching products with business capabilities, IT managers can proactively suggest technology and process changes that improve the product and enhance the underlying business capability, therefore leading to faster innovation and greater value.

**Effective prioritization**

Prioritization and funding of products based on business capabilities redirect IT funding toward critical products and let IT focus investments on products that generated higher business value. Additionally, maintaining a portfolio of products allowed clients to cut across organizational silos and plan for a 12- to 18-month horizon by focusing on product features that delivered a measurable business outcome.

**Simplified vendor landscape**

By contracting with vendors for delivering products and product features rather than individual projects, our clients were able to reduce the number of vendors. The product management operating model gives a single vendor responsibility for end-to-end delivery throughout the product’s life cycle—from launch to ongoing performance to retirement—allowing our clients to take advantage of their vendor’s expertise throughout the product’s life cycle.

**Enhanced business-IT alignment**

Defining products based on business capabilities has let our clients establish a common ground with the business, as well as discuss business requirements and demand in terms of product needs, rather than focusing on the underlying technology. This allowed IT managers to develop a strong understanding of the business processes and strategies in each product, allowing them to set objectives and priorities to reflect the overarching business strategy and enterprise goals.

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**Figure 5: Client benefits**

- **Business - IT alignment**
- **Simplified vendor landscape**
- **Greater end-user value**
- **Effective prioritization**

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Contact us

For more information about product management and how we can help, please speak with your local engagement partner or one of our technology advisory contacts below:

**Jason Bergeron**
Partner, National IT function transformation leader
+1 403 509 7470
jason.p.bergeron@pwc.com

**Gaurav Saluja**
Senior Manager, Product management lead
+1 416 687 8264
gaurav.saluja@pwc.com

**Nayan Acharya**
Senior Associate, Product management specialist
+1 416 941 8383 ext. 13630
nayan.x.acharya@pwc.com

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