Product Management
Secrets of Successful
Tech Companies

Best Practices for Revenue Growth

EDITED BY
Tech Product Manager Research Team
CEOs consistently rank revenue growth among their top priorities, which puts product leaders on the front lines of enabling success for technology product and service providers. Yet there’s plenty to complicate the product leader’s job today, including rapid change, burgeoning competition, and an increasingly complex B2B customer journey. How can you deliver on the promises you’ve made to your customers and your executive leadership?

These answers come more easily to some companies than others. Gartner research shows time and again that growth companies “do” product management differently than stagnating or declining firms. This e-book presents our latest findings on the differential practices used by product managers in growth firms to develop products that customers want.
Imagine two technology companies of about the same size operating in the same market. One of them has released new products at a regular cadence and consistently met its growth targets over the past five years. The other has the same release schedule, yet has seen its growth flatline — or even decline. What are the product leaders doing differently?

On the surface of it, nothing. Today’s product leaders universally confront the same context of disruptive competition, rapidly changing customer behavior and complicated buying processes. All product managers struggle with universal obstacles as they seek growth.

For example, 45% of product releases come a month or more late due to product development and other challenges, according to a recent Gartner survey of more than 200 leaders at technology and service companies. Nor is success a foregone conclusion for delivered products either: Only 11% of companies met the internal targets for all of their product releases in the previous 12 months.

Despite their common challenges, differences in behavior between stagnating and growing firms are clear. Simply put, stagnating companies constrain growth by privileging internal feedback and rigid processes over customer input and agility. And what do product leaders at growth companies do differently? We highlight the product management best practices that correlate with strong firm performance.
Top input sources to investment prioritization decisions

Percentage of respondents

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Growth organizations (n = 129)</th>
<th>Non-growth organizations (n = 53)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic goals</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Direct customer feedback</td>
<td>44%</td>
<td>26%</td>
</tr>
<tr>
<td>Market research</td>
<td>38%</td>
<td>23%</td>
</tr>
<tr>
<td>Feedback from stakeholders outside of product management</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>Internal perspectives on customer needs</td>
<td>31%</td>
<td>28%</td>
</tr>
<tr>
<td>Financial goals</td>
<td>29%</td>
<td>49%</td>
</tr>
<tr>
<td>Competitive intelligence</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>Direction from senior executives</td>
<td>22%</td>
<td>38%</td>
</tr>
<tr>
<td>Partner/channel requirements</td>
<td>16%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Gartner

Significant at 95%
Growth companies use customer insights to set priorities

Around half of all firms, regardless of growth status, set investment priorities by aligning with the company’s strategic goals. But the similarities between growing and stagnating companies end there.

Growth firms use direct customer feedback and market research as the second and third most important sources of input for setting investment priorities. Stagnating firms, in contrast, set priorities based on financial goals and executive guidance.

The findings are clear: When it comes to developing products that sell, the most important source of input is the end user. Product managers at successful companies access that input by supporting voice of the customer (VoC) programs that ensure a constant flow of current information from prospects and customers. They also capture product usage data to gain real-world insights into how customers use existing products and what else they might need.

Growth companies validate product ideas with customers and the market before developing them

Just as growing and stagnating firms prioritize their activities differently, so too do they differ in how they decide whether to develop a product.

All product teams have constraints around the resources and talent they can access, so it’s no surprise that half of both growing and stagnating firms create internal resourcing plans and validate the problem with internal stakeholders before they commit to product development. Stagnating firms also commonly project plan and conduct competitive analysis before committing to additional development.

But project managers at growth firms do all these things and more. Their prework more often emphasizes activities that test assumptions with the market. For example, they size the market, take steps to confirm that customers are willing to pay for a solution to a targeted problem and then assess whether their product idea properly solves it. Growth companies are also three times more likely to market test prototypes than stagnating companies.

The take-away is that product managers in growth companies are more methodical about assessing product potential and spend their time on higher-value, marketing-facing activities that validate ideas before committing resources to them.
### Importance of activities to be done before committing to product development

**Percentage of respondents**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Growth organizations (n = 102)</th>
<th>Non-growth organizations (n = 50)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-level development/engineering sizing/estimation</td>
<td>61%</td>
<td>42%</td>
</tr>
<tr>
<td>Project plan</td>
<td>59%</td>
<td>50%</td>
</tr>
<tr>
<td>Market sizing</td>
<td>57%</td>
<td>36%</td>
</tr>
<tr>
<td>Competitive analysis</td>
<td>56%</td>
<td>52%</td>
</tr>
<tr>
<td>Resourcing plan</td>
<td>52%</td>
<td>50%</td>
</tr>
<tr>
<td>Solution validation with customers</td>
<td>52%</td>
<td>32%</td>
</tr>
<tr>
<td>Problem validation with customers</td>
<td>50%</td>
<td>32%</td>
</tr>
<tr>
<td>Business case</td>
<td>48%</td>
<td>40%</td>
</tr>
<tr>
<td>Light prototyping</td>
<td>43%</td>
<td>14%</td>
</tr>
<tr>
<td>Regulatory illegal analysis</td>
<td>39%</td>
<td>28%</td>
</tr>
<tr>
<td>Problem validation with internal stakeholders</td>
<td>38%</td>
<td>36%</td>
</tr>
<tr>
<td>Solution validation with internal stakeholders</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>Backlog definition</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Gartner

Significant at 95%
Using product leadership to drive growth

It may sound reductive, but the bottom line is that tech companies are more likely to grow when they’re customer-focused rather than internally focused. Product managers at growth firms set priorities based on what the market says it wants, and they test product ideas and prototypes with real customers before investing time and resources in product development.

Take these actions at different points in the development process to enable a customer focus:

• Invest in VoC programs to gather real-time insights at all stages of the development process. Leverage what customers say about their needs and experiences to set priorities, ideate new solutions and improve existing products.

• Prior to development, take the time to understand which markets are big enough, which problems are salient enough and which product ideas will appeal to target customers. Continue to engage in market testing post-launch to inform improvement activities.

• When well-meaning executives direct the product team away from features or services the market says it wants, use data to advocate for the customer. Craft a business case using verifiable content that emphasizes the needs of the market.

• Focus first-round development on delivering a narrowly defined minimum viable product that solves a specified problem with no frills. Improve it through a disciplined, iterative process in collaboration with customers and stakeholders.

• Integrate quantitative in-product usage data with qualitative VoC efforts to understand how customers use the product and where functional and experiential gaps lie (see page 8).

• Drive continuous improvement of product management by training product management team members in agile and lean practices (see page 10).

“The cardinal task of product managers at tech companies must be to own the value proposition for the customer.”

Emil Berthelsen
VP Analyst, Gartner
The growth in digital products and channels has been a boon for product managers seeking to understand how customers use their product. The Gartner Data Usage Study found that 59% of product managers have access to and use customer data. Yet only 33% view customer data as a critical input to product planning. One reason is that the insights from commonly available data are incomplete.

Data on product adoption and use patterns can tell product managers which features are the most popular, for example. But that data doesn’t identify the unmet needs or problems that new functions could address, and that might drive customers to competitors. To get the full picture, product managers need holistic VoC data.

A holistic VoC program combines quantitative data on product use patterns with quantitative market surveys, and marries it with qualitative insights acquired through face-to-face customer interactions. These interactions take many forms, like interviews or real-world observational studies that enable product managers to see how customers go about their daily lives and interact with technology. The goal for product managers is to understand how users use the product to solve a problem or fulfill a goal — and what else they bring to the equation.

Internal company culture and power dynamics influence how quickly a product manager can access and use holistic VoC data. Enterprises with a strong and unified customer-centric, data-driven culture are likely to support both quantitative data analysis and qualitative customer interactions. Less-unified organizations could stymie efforts to gather useful, actionable insights in different ways. For example, sales can set up roadblocks between product managers and customers willing to share insights. Alternatively, salespeople might broker access, but only if their customer’s needs get top priority on the product roadmap.

Whether to formalize support or conduct long-term advocacy, product managers should develop a formal business case for investing in a holistic (and democratic) VoC program, and quantify the value it can return to the business.
Example of product planning holistic VoC data

Digital VoC (quantitative)
- Product usage
- Support cases
- Purchase history, etc.

Filtered VoC (quantitative and qualitative)
- Market surveys
- Sales anecdotes

Customer interviews
- Product manager high-touch, high-quality, face-to-face VoC (qualitative)

Holistic voice of the customer

Source: Gartner
Late product delivery doesn’t usually rise to the level of executive priority if the delays are short or if the company culture has come to accept late delivery as a “normal” part of business. Yet lateness can have a negative impact on growth when delivery dates are baked into contracts and bonus structures.

It can add unnecessary development costs that return little value if the ultimate product is overengineered with features customers don’t need.

There’s also the negative reputational impact that comes when clients feel like they can’t count on you. “On time” often equates with stronger performance.

Lateness can stem from product development processes bogged down by process steps that have outlived their usefulness, or by product functionality that the market doesn’t want. These and other forms of waste are a big reason why so many product teams miss their delivery deadlines.

Agile practices used in combination with the customer validation performed by leading product managers can help address many of the main causes of lateness. Agile allows product managers to reduce upfront investment and speed up the delivery of minimum viable products and subsequent functionality.

Agile for product management processes should just be the beginning. Technology organizations should pursue agile in their practices, and agility across their business.

Agile approaches like extreme programming (XP) and Scrum enable tech companies to more quickly change plans in response to the market, because they bring greater transparency into how the work of product engineering is done and place higher focus on customer outcomes.

Systemic agility, in turn, operates at the level of the culture, and requires organizations to embrace uncertainty and adopt methods such as Kaizen (continuous improvement); Andon (surfacing problems); and retrospectives (reflection) at all levels. There is no lack of methods and techniques that can help, including time-tested lean practices like disciplined problem solving and standard work, and agile frameworks that enable teams to test hypotheses, risks and assumptions before committing to full-scale product development.
Conclusion

The market determines a product’s success. It is a very old and true lesson, yet it bears repeating in light of in-house priorities and ideas. Product managers who drive growth for tech firms reach out repeatedly and at multiple points pre- and post-launch to ask customers about their needs, listen to the answers and use what they learn to define product plans. Data resources and agile practices help them get the information they need and use it effectively. The result is stronger performance for the product team and the business as a whole.

Survey Data: 2019 Gartner Product Management for Product Leaders Survey
Kristin Von Manowski, January 2020

Product Managers in Growth Companies Attach Extra Importance to Pre-Development Validation
Aapo Markkanen, January 2020

Growing Companies Value Research and Customer Feedback Over Executive Direction in Prioritization
Clifton Gilley, December 2019

Growing Technology and Service Providers Are Likelier to Align the Objectives of their Agile Adoption to Core Agile Principles
Clifton Gilley, December 2019
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