

ANATOMY OF A PRODUCT LEADER

Redefining leadership for digital success

The rapid change and disruption brought on over the past few years by digital, mobile and social media advancements like Facebook, Hulu, Twitter, Android, YouTube and the iPad have made one thing clear: the most innovative and breakthrough consumer experiences win in the market. Few industry sectors today can escape the ferocity of competition or velocity of change ushered in by these developments. As Netscape founder and venture capitalist Marc Andreessen observed: “Today, more and more industries are being defined by the rule of digital innovation. Whether you’re in the music industry, the photography industry, the newspaper industry or the financial services industry, you find yourself competing with Internet companies or companies with a particular skill in technological innovation.”

In this environment, innovation powers growth, and “product” is front and center on the agenda for businesses across consumer-facing industries. The most successful CEOs in this space have product experience themselves or empower a strong product executive to lead digital product innovation in the organization.

If our own executive search experience is any indication, the importance of product-focused CEOs and general managers has grown significantly over the past few years. Analyzing the more than 200 digital media and consumer Internet CEO and general management assignments Spencer Stuart has conducted since 1999, we observed a sharp increase in the number of companies seeking significant product experience in CEO candidates.

Nearly three-quarters of the position specifications we developed with clients between 2008 and 2010 listed product experience in the key selection criteria, whereas less than one-quarter sought specific product experience in the prior nine years.

Even as demand for these executives grows, highly skilled product leaders remain rare. And organizations where digital product management is a new and unfamiliar skill-set will find themselves competing for talent against traditional software companies and other pure-play digital organizations where product leadership is well-accepted and generally well-defined. To attract the most effective product leaders, these organizations will need to define success for their digital initiatives and fully commit to building a strong product organization capable of creating great interactive product experiences. Most importantly, these organizations will have to determine who in the company will be responsible for leading digital initiatives — a CEO with a strong product sense or another senior leader with product savvy and the authority in the organization to get things done.

In this article, we draw on our own experience and the expertise of influential product innovators and investors to explore the traits of successful product leaders, where these leaders can be found and the organizational considerations for companies that are building their digital product capabilities.

We spoke with:

MARC ANDREESSEN, Netscape founder and venture capitalist

JASON HIRSCHHORN, former president and chief product officer of MySpace

JEFF HOLDEN, senior vice president of product management for Groupon

JONATHAN ROSENBERG, former senior vice president of product management for Google

STEVE VASSALLO, general partner with Foundation Capital and former IDEO designer

Product Leader Profile

Spencer Stuart analyzed the backgrounds and experience of nearly 70 top executives with product responsibility from some of today's most influential product organizations. They include company founders, CEOs, product management executives, general managers and chief technology officers. Here is a snapshot of their backgrounds and routes up.

Highest product role in their career*

Never Had a Specific Product Leadership Title 57%
Chief Product Officer 20%
SVP/EVP of Product 16%
President of Product 3%
Other Product Role 3%

Primary early-career experience*

Engineering/Development 36%
Product Management 36%
Product Marketing 7%
Strategy 6%
Business Development 4%
General Management 4%
Other 6%

* Data does not total 100% due to rounding

Other product leader facts

- > 54% have never founded a company
- > The product leaders have spent an average of five years at each job they have held
- > They have 17 years of work experience on average
- > 61% have experience at Fortune 1000 media companies
- > 39% have experience at Fortune 1000 software companies
- > 22% have experience at both Fortune 1000 media and software companies
- > 72% have worked at startups
- > 91% have worked at established companies
- > 88% have public company experience
- > 93% have an undergraduate degree
- > 33% have a graduate degree

DEFINING PRODUCT LEADERSHIP

Product today is broadly defined. A product may be a website, software or services, a feature on a phone, a smart-phone app or an entire experience combining hardware and software. “In many cases, the end users don’t even realize that what we’ve offered is a product. They may get a new feature on their phone, the right result in a search or an update to software that was installed automatically for them in the cloud,” said Jonathan Rosenberg, former senior vice president of product management for Google. Jason Hirschhorn, former president and chief product officer of MySpace, defines product even more broadly, to include “the entire experience from beginning to end: The look, feel, flow, features, copy, environment, sound. Anything that affects the experience or service that you are offering is part of the product.”

As the definition of product has evolved, the way products are developed also has changed. We have seen three areas of dramatic change: speed, ecosystem and experience.

Speed. The cycle time of product development is fundamentally different today; the speed at which organizations need to develop, test and launch products into the marketplace — and then create new iterations based on immediate feedback — has increased dramatically.

“Your single greatest challenge as a product organization is getting folks to pay attention, and that means punching through the status quo. The nature of work is changing entirely, and it’s certainly around product,” said Steve Vassallo, general partner with Foundation Capital and former IDEO designer. Speed is not only about the pace of development and iteration, but the potential to gain or lose market traction at an even faster pace.

Ecosystem. In addition to speed, product development also has become more complex as many products are connected to others in intricate ways and the expectation is for the user experience to work seamlessly. “A product manager or a leader of product managers really needs to understand the ecosystem in which their product operates and the levers that they want to pull within that ecosystem,” said Rosenberg. This applies not only to the user experience, but the value chain in which your product competes. The most elegant user experience can go profitless if the platform it

depends on becomes a competitor. Today’s product leaders must constantly understand the web of partnerships that allows their product to be discovered and to exist both technically and financially.

Experience. Beyond the complex ecosystem, we are finding consumers are expecting digital products to be rich and emotional experiences. Everything from opening a box to launching an application to the way customer service is delivered needs to be consistent. A product manager’s rapt attention to detail and ownership of the whole experience is critical to success.

SO WHAT DOES IT TAKE TO COMPETE?

In this environment, the most successful and effective companies have strong product leadership — either a product-oriented CEO or a product leader — serving as a single point of accountability for even the smallest decisions about the product and the product experience. These leaders have several core traits in common:

Passion for the product. The most successful product leaders are passionate about their products and all the details of the product experience. They have an emotional connection to the product and constantly strive toward perfection. “You have to live this stuff. Love it. The passion will drive you past the point where others would stop. It’s something you do when you’re free: Playing with new things you find, friends recommend or competition releases. You are constantly searching, brainstorming, critiquing, admiring and creating,” said Hirschhorn.

Broad functional knowledge and organizational understanding. As the definition of product has expanded to include the entire user experience around the product, the product manager has to have broad functional knowledge and influence to shape product decisions. “The function of product management is to pull together all the threads from the engineers, from the sales force, from the marketing organization, and then from industry trends, competitive analysis and customer feedback, and pull those threads together into a product plan,” said Andreessen. “You need somebody in the role who is a jack of all trades, who understands the technical details, the customer issues

and the industry trends, and can work with the sales force. They also have to be happy in a job where they manage through influence rather than authority.”

Vassallo describes these product leaders as transdisciplinary. “They’re able to think about business issues, they’re able to think about support issues, they’re able to think about technical issues, and are able to switch disciplines, but also zoom in and zoom out in a really flexible and fluent way,” he said.

It is important to note that we don’t believe great product leaders need to have domain expertise — in fact, an outsider to a particular domain often can drive important observations. They can ask questions insiders can’t ask about why things work the way they do and challenge the status quo.

A strong product point of view and willingness to say no. One of the most challenging aspects of a product leader’s job — and one that is getting harder — is deciding which of the many ideas bouncing around the organization to invest in and which to discard or delay. A lack of strong product leadership can result in one-size-fits-all “platypus products” and less innovation, said Vassallo.

Product leaders need great judgment and must be able to ruthlessly redact the product to its core values, he said. They can see 12 or 18 months in the future and evaluate products with that lens. “Great product organizations are led by individuals who have a strong point of view and penetrating insight and then have the fastest iteration cycles that the organization can endure,” Vassallo said. Jeff Holden, senior vice president of product management for Groupon, said he looks for people with exceptional judgment and a track record of successful products. “They are also strong and inspirational leaders, establishing a clear and bold ‘North Star’ for the team to charge toward.”

Leadership also means being willing to make a decision, said Hirschhorn. “Some of the best product minds in the world never launch anything because they keep making changes. You’ve got to be able to augment, iterate and launch often.”

Also valuable to a product leader is what Andreessen calls “strong moral authority” within the organization, which

The right product organization

As companies seek to infuse product talent into their organizations, it is important to recognize that product executives are not one-size-fits-all, and the success or failure of a product leader is oftentimes dictated by the company’s organizational structure. The product organization may be a stand-alone function in some organizations. In others, product reports to engineering or to marketing. How product is organized varies depending on the size and maturity of the company or the life-cycle of the product. Increasingly, we are finding product leadership at the top of the organization with the CEO or chief product officer.

More important than the formal organizational chart, say product leaders, is how the product function engages with the rest of the organization. Hirschhorn recommends a “SWAT” team approach, where all relevant disciplines are represented to vet ideas, address challenges and avoid issues, but also to move quickly. When the right people are not involved at the right time, costs increase, deadlines slip and companies produce subpar products, he said.

However product is organized, companies should guard against delivering products that reflect the internal structure of the company, product leaders say. The internal organization should be invisible to the customer, meaning internal divisions shouldn’t be allowed to become stumbling blocks to doing what’s right for the customer.

Product leaders also warn against overly formalized “assembly line” processes where there is little collaboration among different groups, and the product plan is handed down the line to the next group, from the product group to engineering to legal and marketing.

“In the worst case, the product leader essentially throws the PowerPoint over the wall and the engineers are expected to be able to ‘get’ them, and that model just doesn’t work. That’s just a disaster. It has to be a much more hands-on type of interaction,” Andreessen said.

Holden favors the famous Amazon model of Two-Pizza Teams, “I believe in autonomous cross-functional units, where engineering, product management, design, etc., are combined in a single small team — it is very potent. The alternative is to manage product and engineering to be two peas in a pod, but you need to continuously work to keep them in lock step, and therein lies a large coordination overhead.”

enables him or her to influence the key players involved in developing the product even without direct authority over them.

General understanding of technology. Great product leaders tend to have a technical background. “For technical products, technical depth is a huge asset, a requirement,” Holden said. “In order to earn the respect of and lead teams of engineers, the product manager must understand the technical underpinnings, how things work and the engineering trade-offs.” The degree of technical knowledge that a product leader needs tends to vary depending on how technical the product is.

Ability to pick and lead great talent. Great product leaders build high-functioning teams and surround themselves with exceptional talent in key disciplines, from engineering to project management, user experience and marketing. “Great talent is hard to find. Double and triple threats are even more rare. It’s like any other great team: you have a leader who is responsible for ultimately setting direction. Then they cast the best players possible to make it happen,” said Hirschhorn.

Team-building is an especially important consideration for product-minded CEOs and general managers. A CEO who is deeply focused on the product may not have the bandwidth to handle other critical company operational needs, such as financial management, sales and marketing, and may have to lean on other leaders in the company to take the lead in these areas. A CEO with less product experience will want to make sure that the organization has strong product leadership to focus solely on the consumer experience.

How do the necessary product leader skill-sets differ between a large mature organization and a startup? At a large mature company, the product leader may need skills related to navigating a complex organization, managing the product’s role in the context of a broader product portfolio and working with a more entrenched technology or marketing organization that may be resistant to change. The product leader of a startup, meanwhile, has the flexibility to innovate without the constraints of legacy products or multiple corporate agendas at play. Still, Rosenberg argues that the basic orientation of the product leader is largely the same.

“In a digital age, you’re never letting your product get mature. Product leaders may need to prioritize differently at different stages of development, but the core capabilities are the same,” Rosenberg said. “They’re entrepreneurial at heart, think big and want to make their product great because they’re passionate about it. That kind of person does well at both ends of the cycle.”

WHERE TO FIND PRODUCT LEADERS

If there is one thing that has become clear to us in the past few years, product leaders are in high demand and in short supply. Lower barriers to entry for creating new companies have prompted many of the most talented product leaders to try their hand at entrepreneurial ventures after exiting more established companies like Microsoft, Google, Amazon and eBay. As Marc Andreessen noted, product leaders are “very special people in very specific jobs with very specific skill-sets. The problem in the industry is there’s not enough talent to go around to fill all these roles in all the companies.”

Many companies, like Google, opt to grow their own talent from within. Google takes the approach of “hiring the smartest people they can, mostly out of college or after short stints at a consulting firm, and training them,” but avoids hiring specialists because of the rapid pace of change, Rosenberg said.

Despite the dearth of great product talent in the market, there are opportunities to find and grow the right product leadership. In our experience with top leadership, CEOs and general managers with product leadership experience, the most important thing is to understand what type of product leader will be most successful in the role and cast a wide net across product segments and backgrounds for the right individual.

Spencer Stuart has studied the backgrounds of world-class product-focused CEOs and general managers as well as chief product officers and heads of product to determine the consistencies in the education and work experiences that best develop product skills. (See chart on interior of this

piece for details.) The majority of those studied spent time in a startup at some point in their career (in many cases as a founder or co-founder) where they had hands-on product responsibility. The majority also started their careers in an engineering-centric role, and many have engineering degrees. It would appear that there is no substitute for having hands-on product and engineering experience early in one's career, and for most world-class product leaders, the best training comes from leading a product from its inception.

WHAT'S NEXT FOR PRODUCT LEADERSHIP?

The need for product-focused leadership will only increase over time as digital products and services continue to proliferate and command the attention of ever-growing audiences and customer bases. Consumer-facing companies should not underestimate the importance of having strong product leadership — a product savvy CEO or other product executive — to guide product innovation and to create successful product experiences. “A company that considers itself an innovator must have a product- and customer-centric DNA in order to succeed. Product development must be a deep core competency,” said Holden.

While the discipline has evolved substantially since the early days of the Internet, the core tenets of technical fluency, insatiable passion for the consumer experience and team leadership continue to differentiate the most successful product leaders in the world today. Today, companies large and small recognize how product leadership is tied to success in the market and covet the skills of talented product executives.

Success can be predicted by past accomplishments; however, one talented product executive does not ensure success. The organizational construct in which product operates is an important determinant of commercial success. As you evaluate the needs for product talent in your organization, it is essential that you consider how product talent fits into the team and what you are hoping to accomplish by developing or recruiting world-class product leadership.

ABOUT SPENCER STUART

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 52 offices in 28 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments. For more information on Spencer Stuart, please visit www.spencerstuart.com.

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