Centralized vs. decentralized product management

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 What every executive should know about organizational structures in product management

In my years of speaking with organizations, one question continues to come up – how do we better align our product teams with our business and development units to drive growth. It's a tough challenge, and one that executives try to address by deciding on whether the product management team reports to an enterprise management team, or an individual General Manager/Business Unit leader. On one hand, you can drive a corporate wide strategy and optimize development investments across your entire portfolio. On the other hand, you can get deep vertical expertise to drive change that really moves the needle for a specific business. I always compare it to an age old saying – you just don't know what you don't know.

And because of that, I've seen organizations switch between those structures, sometimes as fast as every 12 months. That's a dizzying pace, and I don't envy the people who have to go through that much churn and change. But like a shark, if you aren't moving, you're dead.

Here are some simple guidelines as you think about your organizational structure, and the benefits of each type. These examples are based on real-life situations of what I've seen work, and what has really made a mess of things. It's brutal honesty, so read on only if you're prepared to take the sugar as well as the salt.

In theory **Centralized Product Management** provides:

- Easy alignment with corporate strategy
- Cross product portfolio management
- Identification of market problems that affect multiple business units
- One face to the customer in terms of common UI (look, feel and interoperability).
- Elimination of costly development duplication

In reality, you can run into the following problems:

- No one is actually doing portfolio management because it's too hard and too time consuming, or there's simply no infrastructure in place to support it.
- Collaboration is painful, as there's no easy way to share information across business units.
- Political nightmare as business units that bring in the lion's share of revenue feel they aren't getting the attention they deserve, and simply escalate to the executive team immediately.

In theory **Decentralized Product Management** provides:

- True accountability for a specific line of business and deeper understanding of the Profit and Loss.
- Deep vertical knowledge and market expertise for that particular market segment.
- More ownership by individual GM's, Presidents or BU heads for their contribution to profit.

- Superior, tailored product designs that don't lose competitive feature differentiation due to generalization and "platformification".

In reality, you can run into the following problems (I'll avoid just repeating the above list in reverse):

- Product Management teams no longer feel responsible as business owners, as the GM is handling that.
- Complete disarray on everything from common market research activities, to having several "customer focus groups" target the same customer base by different PM teams.
- Lack of truly game-changing transformation for the business.
- No standard process or even the same personal capabilities across the product teams.

So in the end, I'd point out two things – don't just centralize product management because of the capabilities of the product managers, and don't be afraid of shaking things up as needed. The two structures are very different, and achieve very different objectives. Some just don't make sense for a certain phase of a company – new markets, big platform needs and lots of acquisitions tend to need more centralized management, while big growth targets, very

different market segments and strong business leaders can leverage decentralized product management better.

Good luck – it's not like a McDonalds franchisee, head office may not always know what they need.

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