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AGILE DEVELOPMENT'S BIGGEST FAILURE POINT— AND HOW TO FIX IT

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AGILE DEVELOPMENT has gone mainstream, but the software development methodology that helped hundreds of Silicon Valley startups explode onto the scene has delivered decidedly mixed results for more traditional organizations. In most cases, there is a critical point of failure: the product owner.

A vital part of agile development, product owners are responsible for aligning the business, IT, and customer perspectives, and they have extraordinary power to create value. They are the people who understand the customer's needs, know how to increase revenue, cost-efficiency, and customer satisfaction, and see enough of the big picture to deliver a highly competitive product. Too often, however, this critical role is filled by a safe pair of hands when what's needed is someone who can drive a process forward, maintain momentum and speed, and create meaningful value. If the product owner lacks these critical capabilities, the business pays a heavy price in wasted capital, customer dissatisfaction, and, ultimately, stagnation.

So how do business and IT leaders identify and cultivate product owners? And how do they create an atmosphere that fosters their effectiveness? Product owners should be the entrepreneurs in the organization: passionate about their mission, motivated to create measurable value, and supported by a culture of empowerment, transparency, and trust. Companies that put the right people in this position and make their success a priority will see immediate results.

What to Look for in a Product Owner

The success of agile largely depends on the strength of product owners. (For a detailed discussion of agile principles, see "Five Secrets to Scaling Up Agile," BCG article, February 2016.) By and large, developers will build whatever they're told to build. If they make a mediocre, overly complex, or exorbitantly costly product, the fault most often lies with the product owner. The product owner is the central node where creative ideas come to thrive and get to market quickly—or to wither and die.

Companies commonly make one of two mistakes when selecting a product owner. Often they tap a junior employee with limited experience and therefore a limited understanding of how the project fits into the larger mission. Product owners need enough seniority to inspire and motivate peers across multiple business units. By earning the respect of teams in customer experience, enterprise architecture, and risk and compliance, for example, the product owner can help ensure that projects move smoothly without costly bottlenecks. Other companies err in the opposite direction, selecting a senior executive who is too harried to devote adequate time and may not adapt well to the highly responsive, iterative nature of agile development.

So what should companies look for when appointing product owners? In our view, the key is to find people who think and behave like entrepreneurs. Consider how successful entrepreneurs behave in pitch meetings with venture capitalists. They have passion and enthusiasm for their products and ready answers to big picture questions: Who are your customers? What problem are you solving for them? How will you make money? How quickly will you become profitable? These questions separate the forward-thinking product owners from the pencil-pushing project managers.

When selecting a product owner, company leaders need to think like a venture capitalist and identify an individual who can be trusted to steward a major investment. The ideal candidate will exhibit four critical qualities:

- **Collaborative Leadership.** Product owners must have the maturity and confidence to convey a vision for the product, solicit continuous feedback, negotiate tradeoffs, and drive the process forward. They must ensure that decisions are fact-based and that key stakeholders are appropriately consulted and informed.

- **Business Sense.** Effective product

owners pride themselves on having a comprehensive understanding of both the product and the customer. It's not enough to create something cool. They stay focused on prioritizing the projects that will deliver tangible and measurable value for users.

- **Creativity.** The best product owners work lean and mean, inspiring their teams to tackle challenges, setbacks, and budget constraints with smart workarounds and creative solutions.

- **Passion.** Product owners need to be passionate about the project and fully dedicated to its success. They should have a bias for action, although their decision making must always be guided by empirical data and input from key stakeholders.

The most successful product owners will be visionaries, though not necessarily in the mold of a Steve Jobs. They do need a strong vision for how the product will create value, the flexibility to adapt on the fly, and a willingness to learn and grow along with the product. However, much of their success comes from simply managing a sound process: conducting market research, understanding the customer's needs, identifying where the product will create the most value, prioritizing the most important features, testing ideas, capturing customer feedback, and continuously refining their vision over time. The best product owners temper grand visions with practical decisions that create measurable value. (See the sidebar "Improving the Customer Experience for Airline Travelers.")

The Supreme Importance of Accountability

If product owners are treated as entrepreneurs, it's only natural that they be evaluated on the basis of outcomes. Executives have every right to expect a tangible return on investment. But beyond the bare minimum of delivering features on time and within budget, it's surprisingly rare for product owners to be held accountable for their products' perfor-

IMPROVING THE CUSTOMER EXPERIENCE FOR AIRLINE TRAVELERS

When organizations educate and empower their product owners, the benefits are quickly realized. During the first year of its agile transformation, an international airline developed a multistep program to train its product owners. The training focused on mastering the fundamentals of agile, defining a clear product vision, identifying customer needs and translating them into user stories, and setting priorities to accelerate and maximize value creation.

After their training, the product owners launched many successful initiatives. For example, the airline received a large number of phone calls from customers requesting ticket changes—and those callers were frustrated by long wait times and poor service. Before agile, the IT team would have launched a very expensive, very lengthy project to allow customers to change their tickets online. But this solution would have left customers waiting, literally, for years.

Instead, a product owner assembled a cross-functional team to understand why so many customers were frustrated by the call center experience. The team discovered that the number one reason people called the airline was to change their ticket, but 50% were told (after waiting through automated prompts) that their ticket wasn't eligible.

The team created a simple online tool that allowed customers to instantly determine if their ticket was eligible for changes. The first version of the online tool was released in three months, solving a significant problem for customers (by reducing wait time) and for the business (by reducing call volume). Over time, the agile team continuously improved functionality, leading toward a comprehensive online customer service system. Through similar initiatives, the company's customer satisfaction rating jumped by double digits.

mance. Just as entrepreneurs must develop a pitch that persuades investors to give them money, product owners should be required to create a business case that explicitly demonstrates the value of new digital initiatives.

- **Establish a business case.** Prior to receiving funding, product owners need to establish metrics that can be used to evaluate a project's success. Questions the business case should address include: What value can be captured? Which customer segments will be targeted? How can we secure quick wins? How can we reduce risk? The business case should serve as a living, breathing document—sketching out an initial roadmap that will be continuously revised and improved. A mammoth tome that requires exhaustive effort upfront and then is forgotten in a drawer is worthless.

- **Track performance.** Because this is a new way of working for many companies, product owners need to provide 360-degree transparency into all aspects of a product's journey from ideation to maturation. As the product evolves, the product owner must provide detailed updates on progress, outcomes, and obstacles (through metrics and open sharing of the team's work). A product owner's performance should be measured on real-world outcomes, including adoption rate, customer satisfaction, revenue gains, and cost savings. Vanity metrics such as page views or downloads are merely a distraction. The critical metrics will focus on where the product has performed well—and how quickly it produces results.

When product owners are held accountable for value creation and employees' incen-

tives are aligned around this point, agile teams are well-positioned to produce tangible results—for customers and the business.

Creating a Culture Where Product Owners Thrive

Even the strongest product owners will struggle in a company that doesn't accommodate an agile mindset. Traditional businesses need to embrace a new way of working based on speed, experimentation, and adaptation.

- **Give product owners a long leash.** To be successful, product owners need the authority to make pivotal decisions independently and in the moment. Senior executives should have total confidence in their product owners. In a fast-moving agile environment, product owners may be asked to make multiple decisions every day on product releases, prioritization of workflow, feature tradeoffs, and much more. If required to consult with a committee or a senior executive before handing down a decision, the product owner will serve as a mere functionary. Great product owners do not make all the decisions; rather, they are collaborative leaders who get the best from their teams and other stakeholders and drive an inclusive, data-driven decision-making process. But they are also unwilling to let a project stagnate. Product owners should be fully empowered to experiment, set priorities, and guide the agile development process on the ground.

- **Celebrate fast failures.** For product owners working in an agile culture, the goal is to experiment boldly, iterate quickly, and use feedback from each release to improve the product. In a typical company, failure is often perceived as shameful or catastrophic. But it is a natural byproduct of risk taking and should be celebrated. The trick is for product owners to fail quickly. Fast failures can be highly instructive. With rapid customer feedback, the cause and effect are clear, and product owners can make adjustments accordingly. They can shift course and reallocate resources in response to real-world data. In addition, when product owners drive quick iteration and incremental adaptation, a fast failure has limited consequences for the business. Although it takes sustained effort to create a culture that celebrates fast failures, companies that embrace it will be rewarded with higher levels of innovation from their product owners.

A S ENTIRE INDUSTRIES are disrupted by fast-moving tech startups and innovative business models, agile methodologies can help companies stay ahead of the competition. But agile methodology on its own is not enough. Agile development needs to be driven by a passionate and entrepreneurial product owner backed by a culture of transparency, empowerment, and trust.

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