

# BLAZING A TRAIL TO DIGITAL TRANSFORMATION

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5 Trends Progressive Organizations Are Embracing to Drive Change



# THE DIGITAL TIDE IS TURNING FOR GLOBAL BUSINESSES.

Technology is constantly evolving and changing the world around us. It's also changing each of us as individuals and forcing businesses to rethink how they operate.

The good news is that companies and their leadership are ready for change: Eighty-five percent of organizations believe digital transformation is important to them. A 2017 Gartner survey found that 42% of CEOs have embarked on a “digital business transformation,”<sup>1</sup> and Michael Gale, co-author of *The Digital Helix*, reports that nearly every Fortune Global 2000 company has begun some kind of digital transformation journey.<sup>2</sup>

But that journey is different for every organization.

Some go all in: They set out to completely overhaul their operations, shifting their business strategy to focus on a digital model and a new generation of products.

More often, though, companies take a smaller, but equally impactful, step, focusing first on a line of business that's ripe for digitization and then adopting an entirely new way of operating, from different governance strategies to higher-risk tolerances to new ways of developing and delivering products.

Sometimes these journeys are the logical next step in an organization's strategic vision. Other times, they grow out of a concrete need: to ship products faster, accelerate change, and keep up with or – more likely – jump ahead of the competition.

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<sup>1</sup> Gartner survey

<sup>2</sup> *The Digital Helix*, Michael Gale



## FAILURE TO LAUNCH: WHEN CHANGE RUNS INTO CHALLENGE

But just because a company is ready for a digital transformation doesn't mean it's equipped to make it happen effectively. Steering the ship in the direction of change can be challenging.

Gale found in his research that 84% of digital transformations fail,<sup>3</sup> either because enterprises hit a major roadblock in their efforts or they fail to make their digital operating models viable.

At Salesforce, we've witnessed many digital transformation journeys, and we see two common reasons that organizations run into challenges:

1. Companies put new structures in place without focusing on the strategy behind why they're doing it.
2. Companies fail to change the way their employees operate and behave. Without this change, transformation can't succeed.

But we've also seen many of our customers overcome these challenges to experience unparalleled success. How did they do it? We've gathered five of the top trends that we've seen progressive companies implement in order to blaze their trail to success.

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<sup>3</sup> Rogers et al.



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# SHIFTING HOW WORK IS FUNDED TO MAKE FASTER PROGRESS

Investment in technology in enterprise organizations has traditionally required an enormous amount of up-front planning and financial negotiation.

Because IT projects have historically been capital expenditures on the balance sheet, companies often develop complex project plans and submit requests to funding committees several months before they start to build, hoping to get the one-time budget to fund a major technology initiative. This “capex” funding model can dramatically slow progress and prevent teams from staying flexible and working iteratively. The resulting investment portfolio frequently doesn’t reflect the organization’s priorities as scarce funding is spread relatively evenly across requesters.

Organizations that make faster progress in their digital transformations do so, in part, by changing how they plan and fund their work, focusing on three strategic actions.

### **1. MOVE FROM PROJECT-BASED TO EXPERIENCE-ALIGNED FUNDING.**

Progressive organizations focus on experiences, not projects. Instead of an end-to-end process, where a budget committee selects projects and spreads resources across major projects, experience owners, who are intimately involved in the day-to-day life of the product, think about product development incrementally and strive for continuous improvement. They’re empowered to own the investment strategy and experience road map along with the entire process, from the launch to ongoing performance management to application retirement for the specific experience they oversee. They dictate how the experience works and collaborate with the business, technical, and engineering teams to deliver continuous value through experience releases and adoption strategies.

This often results in smaller releases of features and functionality, which are then evaluated and scaled. By using their deep understanding of business needs and close relationships with end users and customers, experience owners can quickly shift priorities and – more importantly – resources as needed.

**2. MOVE FUNDING FROM CAPITAL EXPENDITURES TO OPERATIONAL EXPENDITURES.**

Companies experiencing success in digital transformation have shifted from using capital expenditures for funding large-scale IT initiatives to using operational expenses instead. While funding-approved capital expenditure-based projects were predictable, the expenses were not always aligned with what was needed by the business over the life of the investment. Instead, by switching to operational expenditures, these operational expenditures are readily available to experience owners, who can spend the money in ways that make sense as priorities and business needs evolve and change.

Treating technology investments as an operational expense allows companies to scale up and down, pivoting as product needs change rather than locking in to a single approach.

**3. EMPOWER EXPERIENCE OWNERS WITH FINANCIAL CONTROL.**

Though many organizations incorporate experience owners into their models, experience owners still lack empowerment. And in nearly every organization, empowerment means money. In progressive organizations, product owners receive empowerment through the financial control needed to make decisions on what to prioritize.

By moving away from the model of a board or steering committee making major financial decisions about technology spending, organizations allow leaders immersed in the day-to-day decisions of a product organization to have control of the funding needed to ensure the project's success.

With these changes, organizations can begin to treat technology as a baked-in part of their operations, rather than a separate, supporting function – which shifts an organization's mindset toward “digital everywhere.”





# HELPING ORGANIZATIONS INNOVATE FASTER

Many companies use digital transformation to move faster across their organization.

At the heart of this is a shift toward releasing new software and features faster and more frequently.

In the past, many companies have relied on traditional development methods to deploy software. One of these is a waterfall approach, a sequential process used to design, build, test, and deliver software. Each phase is discrete, and is done in a linear fashion one phase after another from start to finish. Generally, there's a stage gate, or set of exit criteria that must be reached before you can move to the next stage.

In an effort to move faster, organizations are moving away from a waterfall approach and large releases, and moving to a continuous release cadence, with numerous releases throughout the course of a year and smaller sets of features deployed in each individual release. To facilitate this, companies have begun using an agile methodology, an iterative and team-based approach used to develop and release software faster and on a more consistent basis.

This approach is rooted in rapid and continuous delivery of features and software. Rather than creating a project plan based on estimating the length and duration of

tasks, deliverables, and schedules in one or a few big “go-lives,” organizations focus on creating a continuous release of features and functionality, and deliverables and outputs are time boxed into a sprint, which has a defined duration (commonly in weeks). This results in smaller releases that happen more frequently.

Organizations that are successful with moving faster focus on delivery – specifically, continuous delivery. By creating a regular and consistent cadence of releasing new software, organizations focus on identifying and prioritizing a smaller but more valuable set of features to build and deploy. After each sprint, they are tested and iterated on, and that feedback can be used for future development. Additional forcing functions, such as time boxing sprints and decreased time between releases, place an emphasis on prioritizing the most valuable features and capturing the value from those features faster.



To accommodate this need to move faster, companies will implement an operating structure that's smaller, more nimble, and integrated, combining development, operations, and support into one team (referred to as DevOps). This allows companies to support faster releases, which also means delivering software in much smaller sets – which is when they turn to an agile methodology to make this all happen.

From our experience, companies that are successful with agile start first by focusing on continuous delivery. This continuous release schedule encourages more frequent releases that have smaller batches of features, but also spreads the risk of a major release over much smaller releases, allowing for the organization to test, learn, and scale to success quicker. By focusing on continuous delivery and using an agile methodology, companies are able to innovate faster.





Trend #3

# RECOGNIZING I.T. STRATEGY AND BUSINESS STRATEGY AS ONE AND THE SAME

As organizations embark on their digital transformation, they begin to realize that they need to change their organizational structure in order to compete in the digital age.

The most successful digital organizations don't draw a line between business strategy and IT strategy; they recognize them as one and the same and have redrawn their organizational charts to reflect that, focusing on three key actions.

### 1. CREATE DIGITAL-SPECIFIC LEADERSHIP.

Can you create this transformation with your existing leadership? It depends on how your current executive team is focused.

Many of the successful companies we've worked with have designated a digital leader, or chief digital officer, to support and champion digital initiatives that span product teams. Sometimes, this CDO is a change to a current role, such as a combination of CIO and COO, or CIO and CMO. This organizational change is designed to provide a senior leader who is empowered to influence anything and everything that touches digital transformation and adoption, including product development, technology adoption, and even the ecosystem that will drive the transformation throughout the company.



## 2. MAKE WAY FOR EXPERIMENTATION.

Progressive organizations designate specific teams for experimentation, which constantly test new technologies and look at innovation as part of the operational business model.

We've found that when companies don't adopt new features and functions, it's generally because there's little-to-no incentive internally to experiment and roll out new technologies. Sometimes the workforce may have become too entrenched in their processes and are unwilling to adopt new approaches – even if those approaches mean getting work done more efficiently – because they don't see the personal benefit. That feeling cascades upward and ultimately stunts leadership's ability to drive changes.

But when companies fail to embrace emerging technologies and innovation, they also stunt their ability to grow and advance as a digital culture. The businesses succeeding at digital transformation are making experimentation and innovation an integral part of their business.

It's not just seen, as Geoffrey Moore (author of *Crossing the Chasm*) says, as “a form of corporate entertainment,” but a part of their operational culture. Experimentation essentially becomes the new risk-mitigation process, because it offers the opportunity to test strategies before implementing them.

## 3. BUILD THE RIGHT CULTURE.

Digital leaders create the organizational culture needed for digital transformation. Recognizing that culture is one of the biggest contributors to digital success, leaders spend time investing in that culture. Often, this means recognizing the current state of their culture, determining what it needs to be in the future, and rallying their organization around the values, beliefs, and characteristics of the desired culture.

Lack of the right culture and underinvesting the time and resources in building it is one of the biggest barriers to digital transformation. Since change requires new ways of thinking and working, leaders who focus on developing and changing their culture are more likely to position their organization for real success.



Progressive organizations foster and champion cultural characteristics that, when enabled, drive success. Key cultural characteristics include:

**Customer obsessed:** The entire team's mindset and efforts are centered around creating customer value.

**Collaborative:** People work in connected, cross-functional teams that are empowered to execute.

**Nimble and responsive:** Everyone quickly learns and adapts to changes around strategy, processes, structure, and technology in order to create value.

**Open and transparent:** The entire workforce candidly shares ideas, and leadership clearly communicates strategy and priorities.

**Risk-taking and innovative:** Innovation is fueled by people feeling comfortable to take calculated risks and learn from them.

Changing culture is like trying to move an iceberg. The mistake leaders make over and over is that they focus their efforts on what they can see – the “above the waterline” activities, including the digital systems, processes, and structures to support their strategic vision.

But the real challenge – and the real opportunity for change – lies below the waterline. This includes the components that make up a company's culture, such as normative rules, unwritten values, and cultural assumptions in the organization. Until leaders actively manage the below-the-waterline components of their transformation, they'll fail to move their icebergs.





## **USING VALUE-DRIVEN PRINCIPLES TO GUIDE DECISION MAKING**

When an organization's principles are *value driven* – focused on the concepts that the organization most prizes – it can use those to shape the journey toward digital transformation.

Value-driven principles shift traditional, prohibitive mindsets and models to move teams toward thinking about customers, quality, and innovation. They help teams prioritize what's most important for their customers and their strategy, so that when trade-offs must be made, everyone is aligned on what to put first.

Value-driven concepts vary from company to company. For example, to support its company mission, one organization we worked with established four guiding principles: *easy to use*, *global*, *sound architecture*, and *reliability*. Other priorities, such as speed, aren't on this list, so when the team gets requests to move fast, they balance those demands with the need to put their value-driven principles first.

Now, when that company introduces a new process, it asks, is this process easy to use? Is it more likely to be used, and is it data driven and goal oriented?

Ideally, when organizations conceive value-driven principles that strategically support their mission and business, those principles will permeate everything in the organization: culture, finance, design, organizational structure, and leadership. They can serve as a guiding beacon in an organization's transformation.



## TRANSITIONING TO VALUE-DRIVEN PRINCIPLES

### FROM

Cool technology  
How we have always done it  
One process for delivery  
Custom code  
Release complete applications  
Desktop first  
Variations of the same app  
Stakeholder oversight  
Escalation management  
Squeaky wheel

### TO

Business value-driven  
Challenge status quo  
Multispeed IT  
Configuration first  
Go fast and iterate  
Mobile-first when appropriate  
Keep it simple and reuse  
Player/coach, not spectator  
Transparent culture  
Data drives decisions

Value-driven principles shift traditional, prohibitive mindsets and models to move teams toward thinking about customers, quality, and innovation.



Trend #5

# **BALANCING GOVERNANCE WITH RISK-TAKING**

History is full of companies that were successful because they took risks. Compare that with today's landscape, where businesses frequently have governance functions in place that prevent risk-taking.

Many governance functions – such as security, compliance, architecture, and data governance – are put into place to help companies reduce risk. Without governance, organizations are at risk of moving as fast as they can to compete without covering the needed compliance bases.

Governance is usually a combination of external rules and processes imposed by regulations, and internal processes created to protect the business against legal and security risks. Unfortunately, governance processes may add cumbersome, time-consuming layers of review and approvals that considerably hinder innovation and agility.

Like process, governance is often additive; while governance processes routinely get implemented, it's rare to see one retired when it's no longer needed.

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<sup>4</sup> CEB Findings

Instead, more governance gets put into place. And that has an impact on agility and innovation. The research firm CEB found that 97% of projects experience delays due to at least one governance function,<sup>4</sup> and traditional governance models often run counter to how a digitally minded organization should operate.

Kodak, historically the leader in film cameras, is an example of a company that became so burdened with governance processes that it couldn't respond to the disruptive digital camera fast enough to stay ahead. But that doesn't mean companies should dump governance altogether. In fact, progressive organizations are starting to find ways to move more quickly and take necessary risks to stay competitive while still covering their legal and compliance bases.

**Some new ways to approach the alignment of innovation and governance:**

- Providing tools and guidelines for teams to follow that replace up-front reviews and approvals, with audits in place to ensure teams are following the processes.
- Auditing and significantly reducing the number of steps in a governance process to help teams move forward faster.
- Building systems that review codes and suggest code changes when they identify potential risk.
- Retiring governance processes when they're no longer needed.
- Empowering developers to create governance or make governance decisions.

So where do you start? In our work with customers, we're starting to see companies match governance with the business value they're getting. For example, if a customer wants to implement a new system and the new system doesn't introduce risk, then they don't introduce new governance standards.

When it comes to implementation, companies are empowering employees to manage it themselves rather than taking everything to a review or change control board. They're providing teams with tools to use the governance they need while balancing the need to move fast. It's a higher level of risk, but there's also a higher reward: helping the organization move faster to continue to compete in the digital age.



# THE MOST IMPORTANT TREND: TAKING THE FIRST STEP

These trends are helping organizations take on digital transformation and succeed, and embrace technology in every aspect of the business and the company culture.

The businesses that succeed have addressed key issues both above and below the waterline, and have moved to a more agile and market-ready set of processes and oversight.

It's not easy, or painless. The change required to adopt these trends requires hard decisions, cultural shifts, an innovation orientation, and a willingness to manage risk and uncertainty more proactively. But for organizations that stay the course, these changes can result in opportunities that previously weren't available to the company.

Operational excellence is achieved one step at a time, always with the big picture firmly in mind. Companies might address one change at a time, such as reducing release cycles or switching funding models, and use that as the catalyst for bigger change. But the most important thing is actually starting the journey. Find one point to address, then continue implementing the incremental changes necessary to transform your organization's way of thinking, working, and building so that you can blaze your own trail to success in a way that works best for your company.





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Matt's unique approach to Salesforce governance has generated new levels of IT success for companies of all sizes in a number of industries. He loves taking on business challenges and solving them with technology. It's a passion he's shared with business and IT leaders for over 13 years through an innovative methodology for fast decision-making, high-quality execution, and continuous improvement. His areas of expertise are strategy, transformation, innovation, digital operating models, sales excellence, and adoption.



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