

The five essential ingredients for digital transformation

Practical guidance to maximize the value you realize from your investments in Salesforce



pwc



The five essential ingredients for digital transformation

Businesses are witnessing a rapid shift, from traditional channels to newer digital engagement models — a trend that’s been significantly accelerating through the pandemic. As an example, according to [PwC’s 2020 Global Consumer Insights Survey](#), 50% of respondents said their use of in-store shopping channels has decreased since the pandemic and 45% of respondents said their use of online shopping via mobile has increased.

The vast majority (90%+) who reported increased use, are expecting to maintain their current levels, which shows a sustainable change in consumer behavior shifting to digital touchpoints¹. The same trend is becoming apparent in the B2B sales market, where Forrester predicts B2B eCommerce will represent \$2 trillion - almost 20% - of the total B2B sales market in 2021, up from 11.3% just three years ago 2017².

If the aggressive channel migration over the past year is any indication, companies across the board should be gearing up for a massive transformation, if they aren’t already in the middle of one. The bigger question is not whether the migration needs to happen, but how can companies keep pace with customer expectations and competitive pressure?



A number of companies have increased their investment in digital efforts. According to the [PwC 2020 Global Digital IQ Survey](#), most companies have increased their digital investment as a percentage of revenue by 40% compared to 3 years ago, with top performers increasing investment by 50%. Yet, the same survey found that only 5% of companies are receiving the benefits that they are expecting from these investments³.

Where is the disconnect?



Much has been written about the seemingly unbreachable digital talent and capabilities gap between the top performers versus those that lag behind. Consider the armies of expert software engineers, user experience designers, and product managers employed at some of the top tech companies such as Amazon, Google, Facebook, and Netflix and compare them with the understaffed, overstretched IT departments of most large companies. Due to this mismatch, companies are falling behind on key capabilities, like the ability to leverage data to engage customers in a personalized and consistent manner. Increasingly, companies are turning to leading cloud platforms to fill gaps in digital capabilities they are unable to build themselves. The old saying goes - if you can't beat them, join them. Or in this case, if you can't beat them, pay them.



Companies are paying for technology prowess and capabilities via license fees and compute hours instead of headcount, relocation packages, and free lattes. The impact this has on the market is unmistakable. The aggregate market cap of the largest 15 public software-as-a-service providers has surpassed \$1 trillion, almost doubling from \$523 billion just 11 months ago⁴. These firms are spending over \$8 billion dollars annually on research and development to continue improving their products and services. This includes well known names such as Salesforce, ServiceNow, Shopify, and Workday among others - but excludes behemoths like Amazon, Google, Microsoft, and Alibaba.

Salesforce

is a leader among cloud software & platform providers (in market cap and R&D spending) and has benefited significantly from the shift to digital, leading to a track record of around 30% annualized growth for the last 10 years.



They have focused on providing companies a 360 degree view of their customers, and have expanded their ability to do so through their growing suite of products - starting with traditional sales management and expanding into customer service, marketing, eCommerce, loyalty, and beyond. These capabilities are more specific than the offerings of public cloud providers that provide building blocks such as storage, processing, and analytics that enable companies to build applications in a highly economical and scalable way.





Yet many companies still struggle to realize the value of investments made in cloud platforms, even though some provide near plug-and-play capabilities.

Why?

Over the past 10 years, CEOs have consistently told us that the lack of “availability of certain skills” is a key constraint, according to [PwCs Global Annual CEO Survey⁵](#), with “speed of technological change” and “changing consumer behavior” emerging more recently as issues. The reality is that many companies do not have a well defined playbook for digital transformation. Few companies have had to drastically reinvent themselves with the current levels of urgency, and thus lack the “agile” muscle to thrive in an ambiguous and ever changing environment. Collectively, however, there is a lot to be learned.



In order to mitigate the challenges many of our clients have experienced when trying to realize the value of their investments with minimal results, we have developed a gameplan to guide the quest towards a more effective digital future. Our thinking has evolved over the years as we have gained experience testing and refining these methods with some of the world’s most innovative organizations.



Here are the five essential ingredients for digital transformation



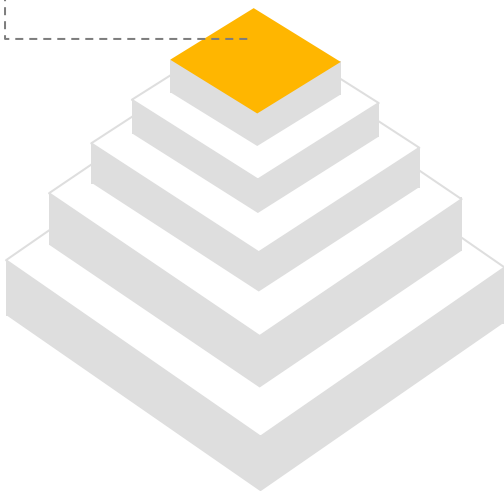
- 1** Vision & strategy
- 2** Governance & operating model
- 3** Process & ways of working
- 4** Platform architecture
- 5** Performance management & culture

1. Vision & strategy

Ask two different people their opinion on the vision and strategy for their company's digital transformation and you often get very different answers. So how do you ensure that a whole organization is on the same page, so you can work as one team to drive a program forward? Creating alignment early and often is a critical part of ensuring that everyone is moving in the right direction, as well as to mitigate potentially unforeseen risks that can be uncovered by analyzing the problem and vision from the multiple perspectives of all stakeholders. Starting with a clear North Star vision can create excitement and big thinking balanced with clear strategies and KPIs to align on how to execute and measure success.



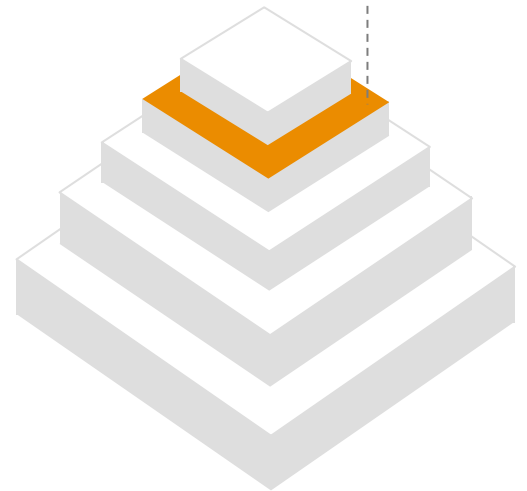
Rightly or wrongly - programs go as far as their sponsors are willing and capable of taking them. So getting the right people on board and building alignment across the organization is a critical step for maintaining success. Recently, a large consumer goods company was looking to digitally transform their commercial and go-to-market (GTM) organization using a cloud commercial platform, but lacked the support necessary to move it forward. The company brought in a team to help define a shared vision and GTM strategy over the next years, and then defined a clear business case that was socialized with executives across the organization. Over a period of six months, the company was able to build consensus around a shared vision, understand the capabilities required to reach it, and approve \$100MM of investment, with support from the entire c-suite.



2. Governance & operating model

Imagine that you have a clear idea of where you want to go, but no map or compass to make sure you can get there? The governance and operating model is your "toolset" to enable the success of a program. It guides the steps, the roles, the activities and the measurement criteria to help ensure that everyone knows how to work together to deliver on the vision and strategy of the program. In the case of cloud transformation programs, an operating model should cover at least three things:

1. Governance & decision rights
2. Roadmap & portfolio management
3. Program management & execution



Let's unpack each of these in a little more detail



Governance & decision rights -

One way programs stall is that they are suffocated by indecision. Companies without clear decision rights can spend weeks, if not months, circling around an open decision and failing to address roadblocks. This brings progress to a standstill. One way to reduce bureaucracy is to ensure decision rights are well defined. This seems paradoxical at first - wouldn't governance structures, or decision matrices simply add to red tape? This is true only if those decision rights funnel upward and create bottlenecks. Instead companies should codify decision rights that empower decentralized decision making - eliminating bottlenecks and empowering team members closer to the issues to solve problems. This enables organizations to build speed and keep things moving.



Roadmap & portfolio management

A great example of an ongoing decision making process that can benefit from clear decision rights is the managing of the program portfolio and creation of the program roadmap. This portfolio and roadmap represents how the program strategy will actually be achieved and vision accomplished. It is a critical function that should be well defined as it acts as the transmission between an executive sponsor's goals and the teams that are working to build capabilities within the organization. Without clear processes, the act of translating the program objectives into features or projects can end up like a game of "telephone" - the end result offers a mere passing resemblance to its original intent.

Let's unpack each of these in a little more detail



Program management & execution

Lastly, there should be well defined, but not overly rigid, processes for program execution. Many companies can benefit from agile methodologies, as long as the entire program is on the same page. While an operating model doesn't ensure the successful implementation of these processes (which we'll cover in the next section), it is important that the program has a shared understanding of how everything should be running.

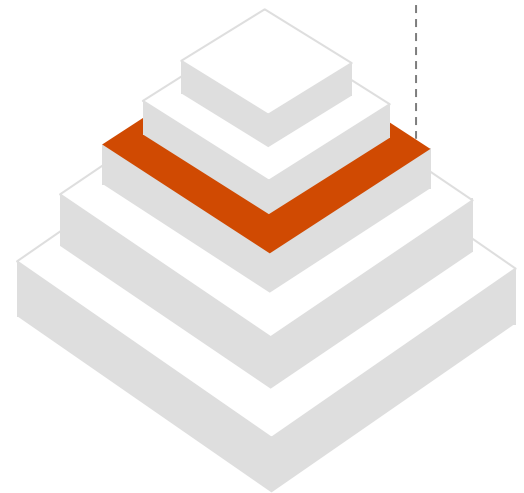
At a leading private lending company, the transformation team had already generated buy-in from sponsors and executives across the company, but was struggling to translate the program vision into action because the program lacked a clear operating model. The company brought in a team to develop a playbook and operating model covering the above topics, blending best practices with company specific processes and procedures. After some socialization sessions with program and team leaders, the program was able to utilize the operating model as a framework for executing the program and progress started to accelerate.





3. Processes & Ways of Working

William Edwards Deming, generally regarded as the father of quality management, once stated “If you can't describe what you are doing as a process, you don't know what you are doing.” By his standards, when it comes to digital transformation, many organizations today don't know what they are doing. In an attempt to “do agile”, organizations rid themselves of well defined processes. This is a mistake. While the overly regimented and assembly line style processes from Deming's era hold little value in most knowledge work today, well defined processes and ways of working are still a critical piece of an organization's ability to execute effectively. However, they should be defined in a way that balances both structure and autonomy. Companies pursuing digital transformation should utilize processes and new ways of working as mechanisms to foster innovation and agility, rather than eliminating them altogether.





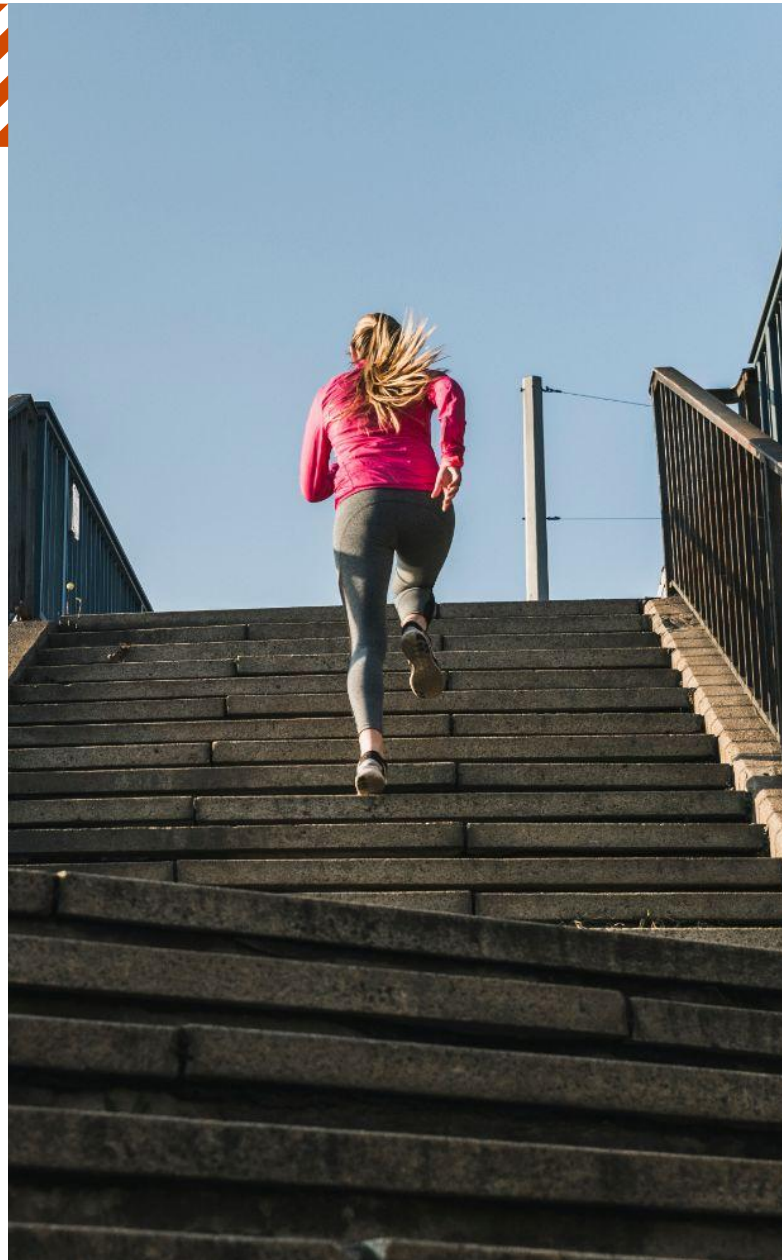
Innovation

To be truly innovative, companies must be comfortable with failure. Most organizations today have built processes around risk mitigation and failure reduction, smothering any chance at innovation. The problem is not with the processes themselves, but with what the process is optimizing for. Instead, companies should use processes like Design Thinking to foster problem identification, exploration and experimentation. As expected, this will increase the number of “failures” as well. But failure avoidance is not the goal. In fact, learning how to fail fast and learn from each failure is part of the process of experimentation for better innovation.



Agility

Almost every company out there understands the importance of being “agile”, but few end up achieving true business agility. Smaller organizations, or specific teams that are enabled to operate autonomously can likely thrive in less-structured environments, using broader agile principles and mindsets to guide decisions toward customer centricity. But larger companies may need a more stern hand. This is where process driven agile methodologies and frameworks such as Scaled Agile (SAFe) can provide much needed structure. A framework like SAFe offers a template that can be overlaid onto an IT organization, with clear roles, responsibilities, cadences, and expectations for the entire organization. These methodologies codify processes that build responsiveness and adaptability in daily operations, enabling companies to be more agile.

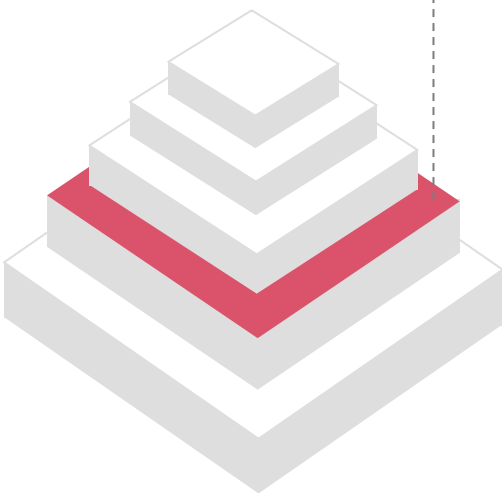


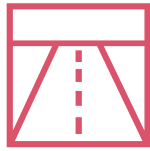


4. Platform Architecture

The explosion of cloud offerings in recent years means that just about any capability or business problem can be seemingly addressed through cloud platforms. Any number of those providers, whether Salesforce, Workday, or ServiceNow, would love to be the one-stop-shop for all of your needs (and IT budget). However, this explosion has also driven competitiveness, and market pressures have ensured that most providers today are API enabled and DevOps ready, allowing enterprises to adopt a multi-cloud model by combining the best of breed capabilities of each of these providers. This is usually the best option- but identifying the optimal architecture requires careful consideration of four main factors:

- Product roadmap
- Limitations
- Complexity
- Data
- Cost





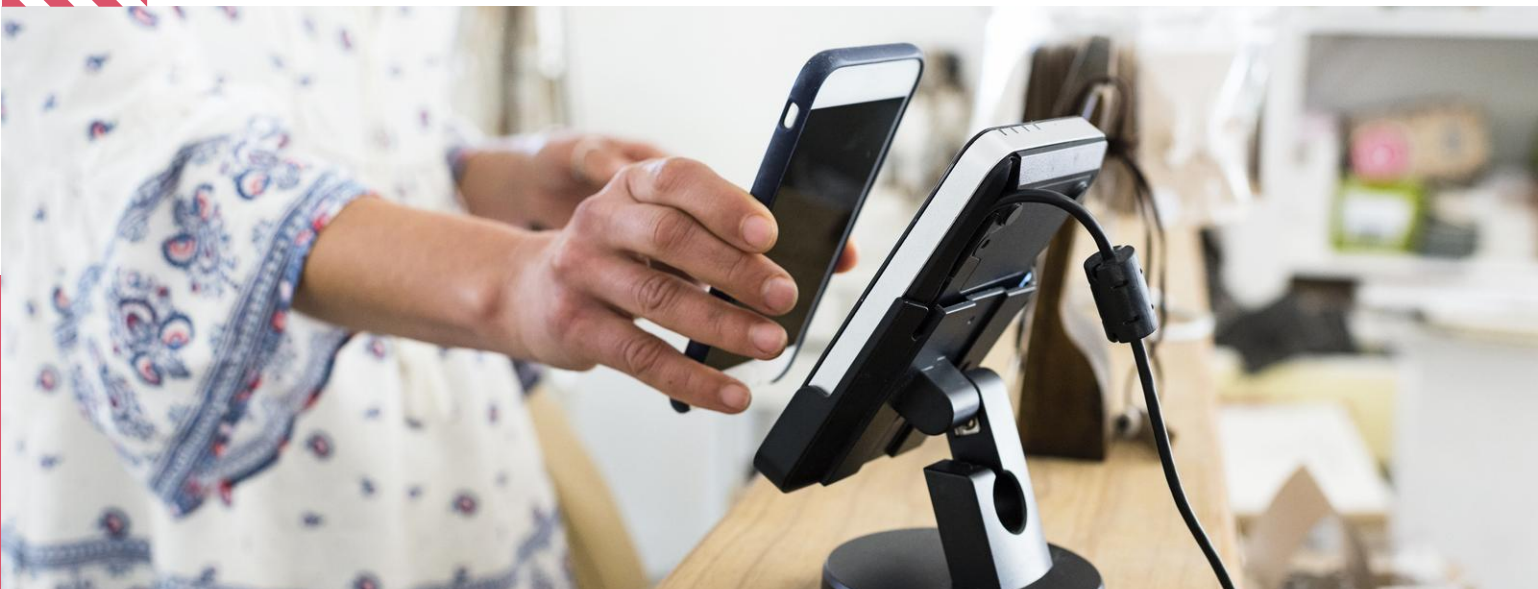
Product roadmap

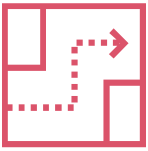
When evaluating options, companies must understand not only what the current capabilities are, but also the expected future capabilities. Most organizations aren't at liberty to jump from platform to platform every year as competing providers launch new features. Investments of this magnitude are often amortized over 5-10 years, with an expected functional useful life far beyond that. That means companies need to carefully assess how aligned platform product roadmaps are to their own capability needs.



Limitations

No platform is ever truly one size fits all. Each platform and product has very limitations that must be considered based on the nuances of a company's operations. For example, Salesforce has limits for computational operations, Workday doesn't support any offline capabilities, Okta has API call limits, etc. The scale of a business may completely rule out an upstart provider that is unable to cope with millions of transactions per day.





Complexity

Organizations with high levels of architectural complexity will receive disproportionate benefits by consolidating onto fewer platforms, even if it means forgoing a few best-in-class point solutions. The ability to better manage quality and accelerate delivery more than makes up for the loss in features, and oftentimes, these features will be on the longer term product roadmap anyway.



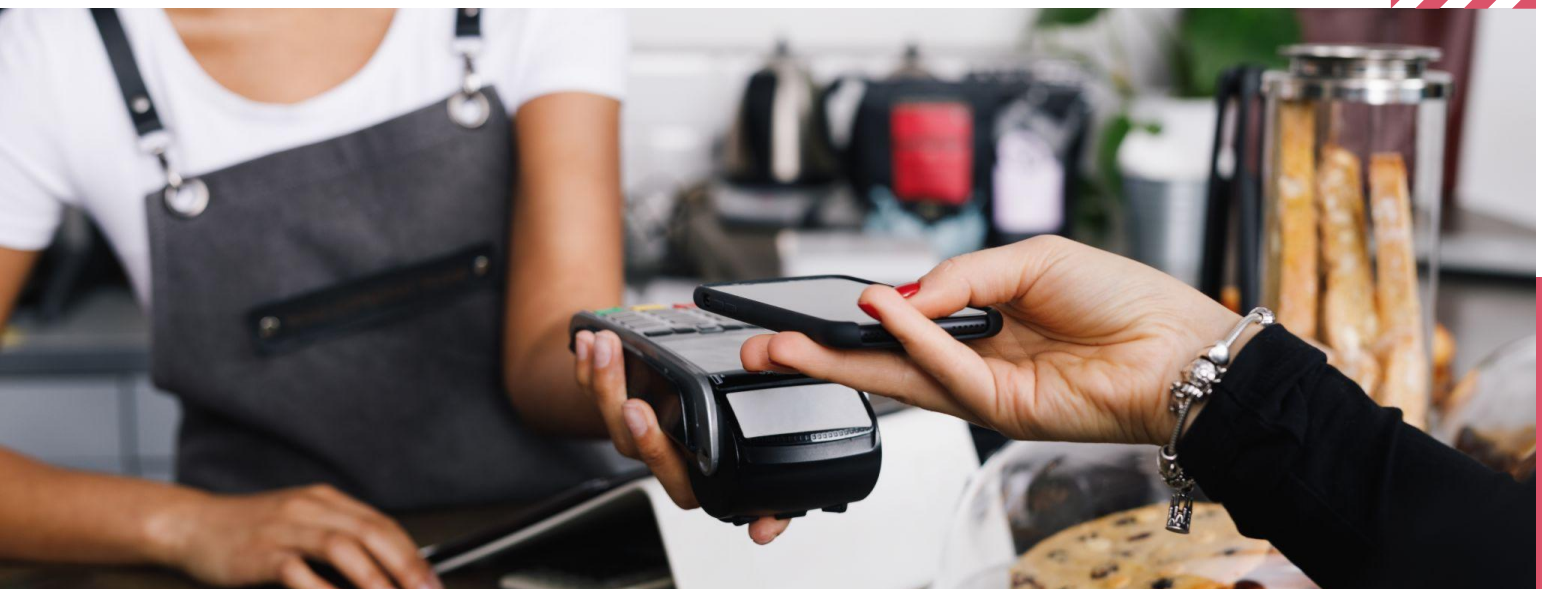
Data

The importance of data cannot be understated. It powers almost every value creation engine that exists- whether customer experience, segmentation, logistics. Establishing an architecture that not only plans for, but also optimizes for the ability to collect and analyze data to form higher order insights can be a key competitive advantage. One of the worst things you can do is invest millions of dollars into a cutting edge platform that is rendered impotent due to poor data architecture.



Cost

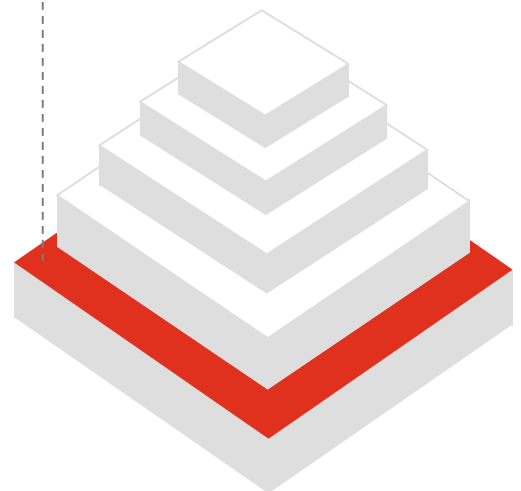
It is critical to understand the fixed and variable cost implications the various SaaS platforms that might be included in your technology implementation. Most platforms are based on usage and seats, which changes the cost calculation compared to traditional software projects. Storage costs or API call costs may seem small at the unit level, but can grow significantly for a large national or multinational organization with thousands of users and millions of transactions per day. By assembling the architecture using the most cost effective component from each cloud provider, organizations can further decrease their operational costs.





5. Performance Management & Culture

We have all heard the saying before “that which gets measured, gets managed”. Clearly defining goals and objectives up front (with Vision & Strategy) will go a long way towards generating valuable KPIs and metrics that can be used to track the progress and performance of digital programs. Traditional measures such as NPV, ROI, and IRR will continue to guide decisions around investments and returns. Increasingly, new metrics are also arising to capture previously fuzzy elements of success. For example, PwC has pioneered a new metric, Return-on-Experience (ROX) to capture and quantify performance beyond traditional measures, across dimensions such as customer experience, employee experience, and leadership⁶.



However, this points to a larger truth: KPIs and metrics are imperfect measures of often incomplete models. Not everything that matters can be measured and not everything that can be measured matters. Innovation around new ways of measuring performance is certainly valuable, but inherently incomplete. Companies should seek to embed performance expectations, behaviors, and relationships within their teams and programs. In other words, companies should focus on establishing strong cultures of performance and outcomes instead of inundating employees with KPIs of activity. Daniel Coyle, author of *The Culture Code*, recognizes culture as something largely indefinable, but offers an analogy of a shared language- but instead of a language of words, it is a language of behaviors and relationships that enable teams to work toward a common goal. Ultimately, it is the right culture that will enable companies to adapt to circumstances today and continue reinventing themselves in the future.



The pace of change is only accelerating. And while cloud platforms appear as an attractive solution to companies racing to fill capability gaps, organizations should consider the five themes of digital transformation if they want to realize the full value of their investment. The companies that truly succeed at transformation have a crystal clear view on their future and embed that vision in a culture that guides countless decisions on governance, process, architecture to move towards that North Star. In doing so, they can help ensure not only the return they are expecting on technology investments, but lay the foundation of a company that will succeed for years to come.

Ready to jumpstart your transformation journey today?

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