

Salesforce.com and Going Agile

A Radical Cross-Company Transformation to Speed up the Pace of Innovation

Salesforce.com is the world leader today in customer relationship management (CRM) software. The former Oracle executives who started the company set a strategic intent at launch in 2007 to become the leader in this market using a software as a service (SaaS) strategy - the first major company to do so and thereby going to market with a brand promise of “No Software”. The company achieved great success, going public in 2010 and achieving a market cap over \$55B on sales of \$6.7B in 2016.

In 2006 the company got into a crisis in software development that threatened their future. By this time, they had grown to become a \$1B revenue company with over 49,000 customers and over 1M subscriber licenses. Their internal target was to do 4 software releases a year, deployed through their web-based platform. But with over 500 software engineers on the staff, the number of features included in each release was going down and the time between releases was going up. Both customers and employees reported being unhappy and frustrated with this state of affairs and only one release happened in 2006¹.

After assessing the situation in depth, the company’s management decided to address this by doing a company-wide transition to using the Agile software development methodology. This was done in an aggressive fashion over a 3 month period, followed by an 18 month continuous improvement period.

The Agile methodology was decided upon due to key principles of this approach being:

- Keeping a focus on the customers’ needs
- Working on the highest value items first

¹ Source: <http://www.slideshare.net/sgreene/scrum-gathering-2008-stockholm-salesforcecom-presentation>

- Iteration cycles being fixed to insure that the software releases are regular
- Teams are empowered to set the priorities for their work based on customer input and also to define the velocity of their team's software iterations to support the overall plan

The implementation was decided to be done all at once across the company (versus doing a pilot project first) as the management wanted to focus the organization on the importance of innovating to create value to delight the customer. In addition, the management justified this as a return to the core values of the company (see figure 1 below), especially Innovation and Customer Success) which required all in the company to be involved, and they created a sense of urgency around this and the need for radical change to address the performance issue and stay ahead of the competition.

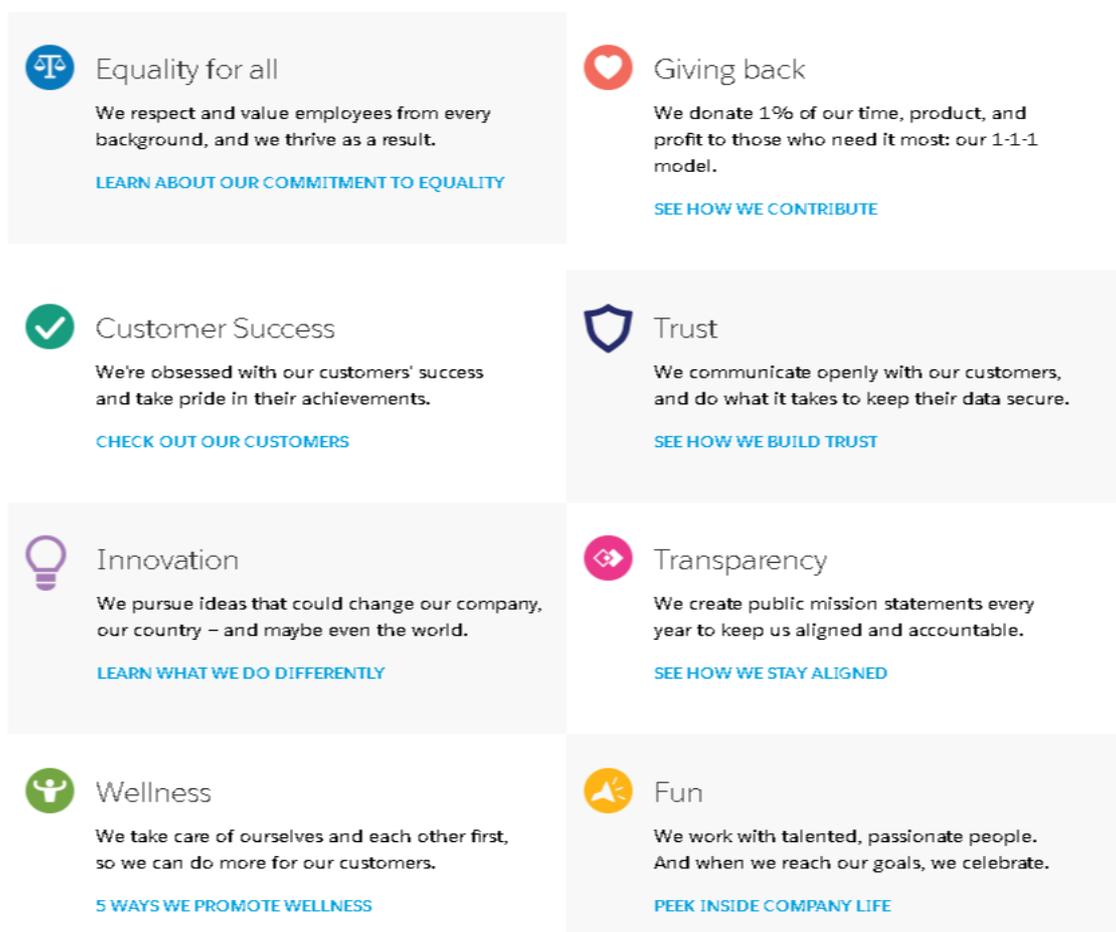


Figure 1 – Salesforce.com's 8 core values from their website

The results were impressive (see figure 2 below). This action totally reversed the trend and the company started doing software releases every 30 days in 2007. The company reported that surveys indicated their customers who were willing to refer other potential customers, as well as employees who were willing to refer the company to their friends (especially key to recruiting in Silicon Valley) both increased in 2007.

Specifically, in the first year after the changes, the company released 94 percent more features, delivered 38 percent more features per developer, and delivered 500 percent more value to customers than in the previous year. During this year of 2007, the company's stock price also rose by over 50%.

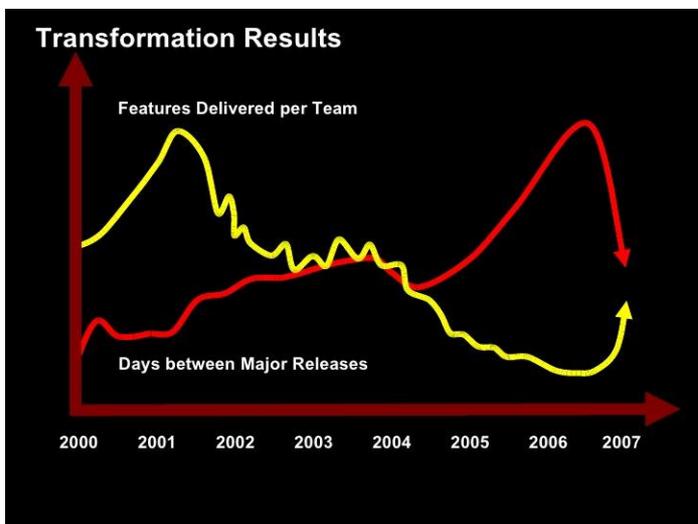


Figure 2 – Chart of Salesforce.com Software Development Metrics 2000-2007

The management reported several keys to success of the project such as:

- Buying books for all staff but developing a consolidated presentation and training deck for a two hour training for each team
- Availability of an internal wiki-based website to record and share learnings
- A focus on the teams' output rather than the individuals on the teams
- Cross functional teams that met daily to status activity and challenges within the team
- An iterative process, a common vocabulary and clear priorities for each iteration
- Strong executive support

- Total openness about the program and the progress

These activities all reflect what are seen as common elements of an innovation culture², as described in the Scrum Alliance report noted in footnote 2, and also by Steve Denning in his 2010 book “The Leader’s Guide to Radical Management”. These elements can be summarized as:

- Managers who act as enablers and not controllers of their people
- Autonomous teams as the work units deployed to make things happen
- Customer-focused practices that guide the work versus bureaucracy
- Values of transparency and continuous improvement evident
- Communications open and conversational not tops-down driven
- Physical work spaces that are open, egalitarian and collaboration friendly

In summary, Salesforce.com is a great example of a company with a unique offering, that showed that the keys to success included not only a clear strategy that was focused on delivering value to the customer, but also insuring their product development and management methodology enabled the innovation environment needed to flourish at the same time as increasing their productivity.

² Source: “The Learning Consortium for the Creative Economy” Report to the Drucker Forum. Nov 4, 2015