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Accelerating value realization: Why organizations are embarking on product transformation journeys

Executive summary

For decades enterprises have used traditional IT project management approaches to shepherd their largest and most critical initiatives. As many organizations are increasingly recognizing the benefits of moving from a Project Management to a Product Management delivery model, they are aligning their IT organizational structure with more Product-centric roles. Product-centric organizations put the customer at their core and deliver business value. This approach helps create new business models with innovative products/services and values the end-user experience as well as the voice of the customer. It paves a new way of organizing teams focused on continuously delivering value, emphasizing outcomes over outputs.

This white paper addresses the questions faced by organizations looking to make a true digital shift with product centricity at the core. It addresses the what, why, when, and how aspects of such a transformation and provides a systematic approach and the set of plays required to establish a product-centric IT organization.

79%

Seventy-nine percent of respondents in Deloitte's 2020 Global Technology Leadership Study indicated that they have recently undertaken a technology-enabled transformation, or are considering one.

In order to truly benefit from these transformations, organizations should shift their current operating models and mindsets. The product shift can allow organizations to deliver value rapidly and consistently, directly targeting customer needs. They can innovate at market speed, across the entire enterprise, and deliver sustainable results at scale.

The imperative shift: Project-to-Product

Today, many organizations are IT-centric. Their success is heavily dependent on how they can deliver software products and differentiated digital experiences. Traditional project management models can slow an organization's reaction to changing customer needs, technology, and market forces as they typically require a large investment in time and money before any customer or business value is realized. As a result, this exposes the organization to significant risk ranging from a competitor releasing their product beforehand, to advancing technology, to the solution not competitively meeting the needs of the customer. Furthermore, traditional methods focusing on projects and timelines can obscure the goals of the organization; value becomes incorrectly aligned with the number of released features and writing lines of code. In other words, it measures production, rather than value.

To escape this 'build trap', organizations must change their mindset from production-driven to value-driven by adopting product-based thinking and planning methods. The product shift is not simply about increasing efficiency or replacing existing processes with new ones. Instead, the focus is on the delivery of real business outcomes— faster time to market, increased revenue, and more innovation—that often elude the IT function. The shift requires organizations to rewire from top to bottom and reimagine how work gets done and delivered. It's a step-by-step journey toward a customer and product-focused mindset, which can enable and empower teams to co-create visions and goals, delivering iterative value, reaching every corner of the enterprise.

Product-led organizations focus on truly understanding and resolving their customers' problems and desires. This approach starts with diving into the problem space by engaging customers, creating user stories, assessing data, and identifying pain points. The discovery phase ensures that organizations build the right thing, rather than just building the thing right. Next, teams are mobilized to build software in small pieces, often within an Agile framework, with short and focused efforts known as sprints to deliver a product to market quickly. These incremental builds reduce risk by testing concepts with customers frequently and with minimal investment; this is key to establishing build-measure-learn loops to better align future investments with desired outcomes.

Embarking on a product transformation journey

While executives may recognize that their organization should adopt a product-centric model, organizational change and mindset shifts can be daunting. A product shift doesn't happen overnight. Organizations may be tempted to rapidly pivot towards a product-driven approach and neglect to build the foundations and experiences necessary to scale effectively.

A successful framework that Deloitte has leveraged to jumpstart this transformation journey with many clients focuses on starting small, with a single goal or product where a cross-functional team is mobilized to co-create a vision, identify the problems to be solved, and define what success means to them and their customers. This enables organizations to learn, develop their processes, and determine a suitable strategy for scaling the model. By starting with a small success story, the barriers to change start to come down, and trust and confidence starts to build within the organization.

Once the product shift begins to establish itself and moves beyond the pilot phase, leaders are faced with managing in a hybrid environment, where parts of the organization continue to operate in a traditional, project-centric IT mindset. Some types of IT work will continue to be more efficiently delivered through projects. The following enablers need to be established and matured, to allow the product model to expand and flourish:
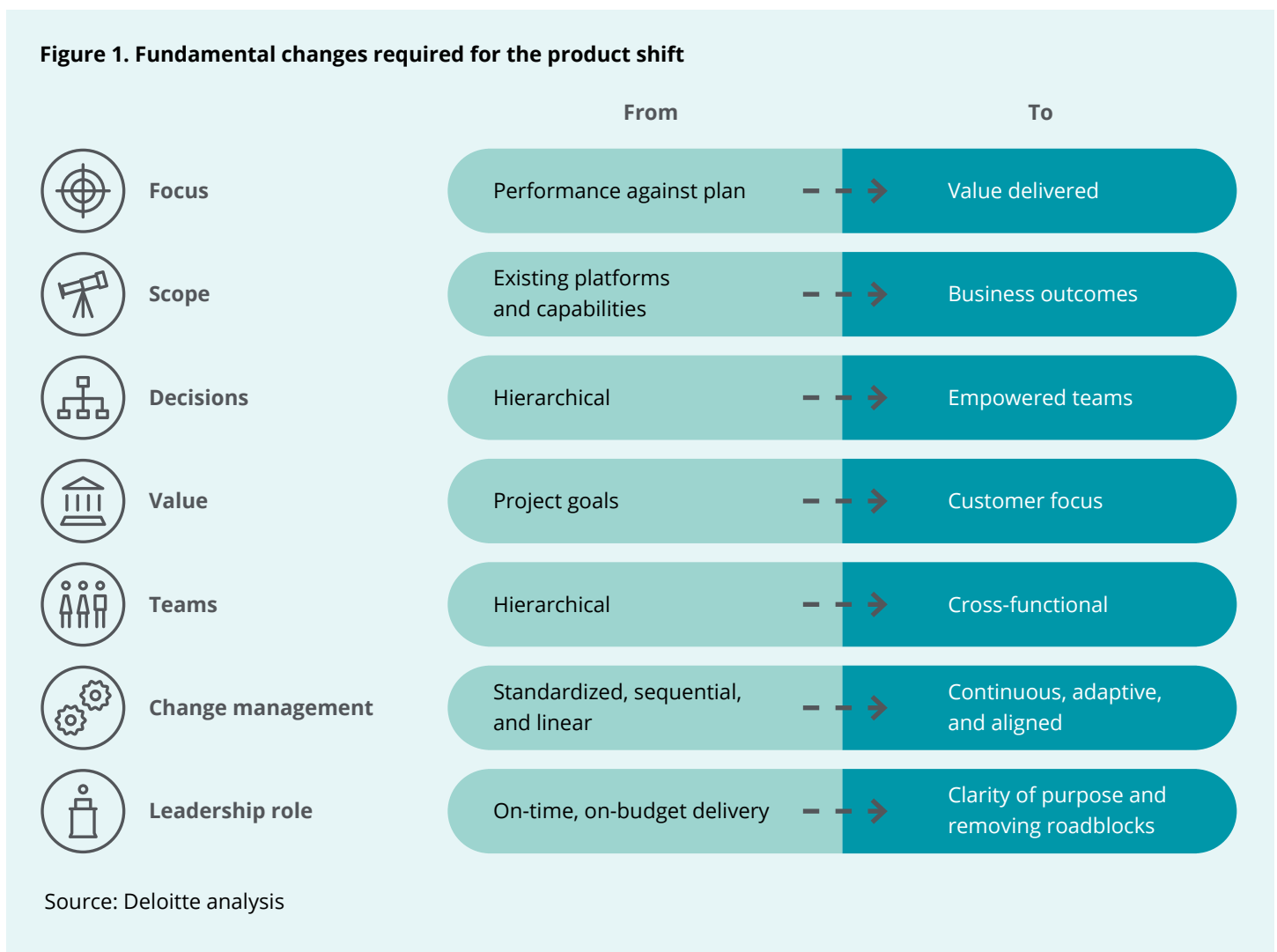
1. **Clear definition of vision and product goals:** Setting and executing on clearly defined and achievable goals may sound deceptively simple, but it is often an issue in failed product transformations. One of the main reasons for this is product goals that are tied to the current system, tools, or architecture capabilities, rather than business objectives and possible technical capabilities. To achieve this, the business and IT need to align on measuring the business value delivered by product features and not merely the delivery of features.

2. **Purposeful collaboration:** With purposeful collaboration, the focus is set on modifying the organization's structure, forming cross-functional teams, and establishing a culture of co-creation and collaboration driven by shared vision and goals. Changing how you organize teams from being platform/application-aligned, to more rounded product-aligned teams, staffed with all of the skillsets and expertise they need to drive change, and accountable for and able to make their own decisions. To achieve this, grassroots team formation and dynamics need to be fostered, with strong executive sponsorship and support: providing adequate training and coaching through every unique phase of the product life cycle.

3. **Funding and budgets aligned to the highest-value business outcomes:** When it comes to funding product-centered transformation, IT departments may need to redefine how they plan for funding. The transition from a start-stop project funding model to continuous tailored value stream funding can be arduous because the outcomes of product-centered organizations are not based on traditional metrics, but rather on the expected value they provide to the customer. Through experimentation, pilot teams, and quarterly or half-yearly funding reviews, IT leaders can help their organizations transition smoothly into a new funding model and break away from the stereotypes that label IT as a cost center.

4. **Fit-for-purpose architecture:** Architecture can be reframed as an enabler in the product context, with less focus on policy/compliance, and more on the provision of a digital blueprint as an organizational asset, facilitating modularity and flexibility for current and future technology deployments. Many organizations mistakenly have inadequate architecture discussions when implementing the product shift, leaving a vacuum that leads to a lack of consistency and collaboration, as well as architecture that is not fit to effectively deliver product features. Enterprise architecture should be the bedrock of product delivery, ultimately responsible for ensuring the scale, agility, modularity, and infrastructure that enable products to operate and flourish.

Figure 1 shows seven fundamental shifts to help organizations develop the flexibility and understanding to truly move towards a product-driven, customer-centric mindset:

Figure 1. Fundamental changes required for the product shift

	From	To
Focus	Performance against plan	Value delivered
Scope	Existing platforms and capabilities	Business outcomes
Decisions	Hierarchical	Empowered teams
Value	Project goals	Customer focus
Teams	Hierarchical	Cross-functional
Change management	Standardized, sequential, and linear	Continuous, adaptive, and aligned
Leadership role	On-time, on-budget delivery	Clarity of purpose and removing roadblocks

Source: Deloitte analysis

A case study: Reimagining and reinventing customer experience for one of the largest US energy providers

Ambition

For the past 4+ years, Deloitte has partnered with a leading US energy provider on a digital and product transformation journey. We worked hand in hand with our client with the goal of building a modern, product-centric organization equipped to deliver world-class digital products while providing the capacity and expertise to do so at scale. This was enabled by a structured framework to effectively manage a portfolio of programs, projects and products, with a focus on measuring outcomes over outputs.

We implemented a product-centric, outcome-driven operating model, redefining the way the business and IT interact, to deliver rich digital experiences while creating high-performing and engaged teams. Using a scaled agile approach, we drove agile adoption across the organization, to effectively manage the digital portfolio, while enabling teams to deliver business solutions fast and at scale.
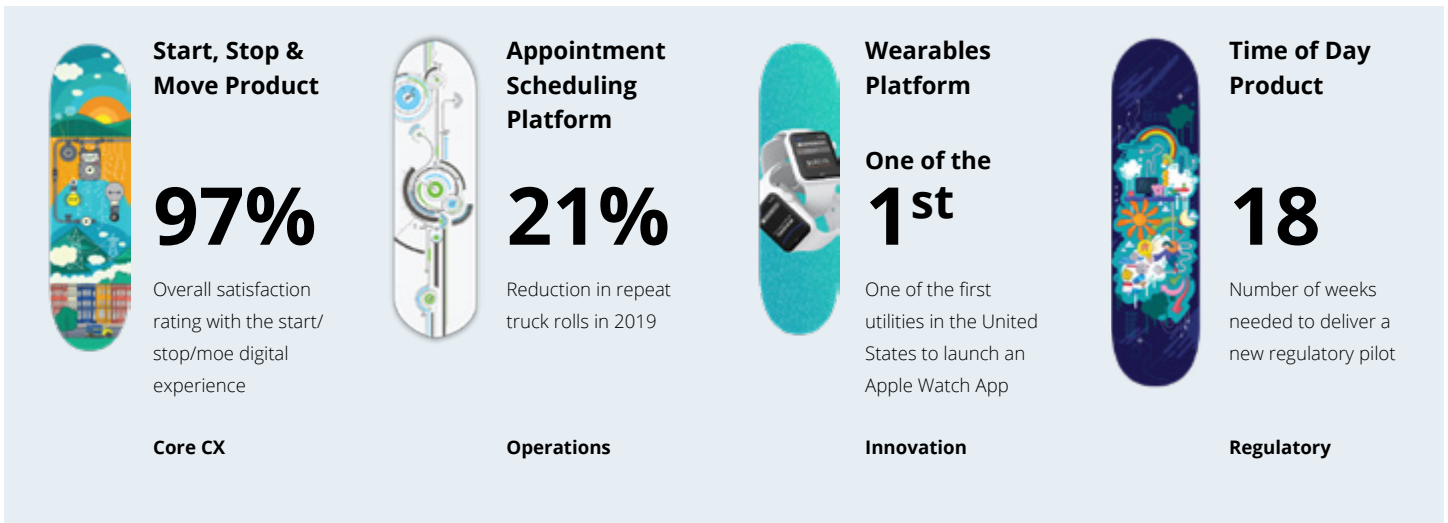
Action

We worked jointly with our client to define a clear Digital vision by focusing on key Digital DNA outputs impacting their digital and product transformation. Our team thought big, started small, and learned fast, building a Deloitte 'EnergyLab' Digital Factory, while helping the client's organization to build their own internal Digital studio and capabilities to deliver value quickly and iteratively to its customers. We partnered with our client to drive an innovative digital transformation, building customer-facing products leveraging user-centered designs and emerging technologies.

Achievement

Over a period of four years, 80+ projects and products were successfully delivered via 300+ releases with a relentless focus on outcomes. The team delivered customer-centric solutions across mobile, web, and emergent platforms to improve every aspect of the customer experience, from dramatically improving sign up and move success and satisfaction, to overhauling the online payments platform, to enabling customers to effectively manage service appointments, to keeping them informed during outages. These achievements were recognized externally by consecutive CIO100 awards.

Start, Stop & Move Product

97%

Overall satisfaction rating with the start/ stop/moe digital experience

Core CX

Appointment Scheduling Platform

21%

Reduction in repeat truck rolls in 2019

Operations

Wearables Platform

One of the
1st

One of the first utilities in the United States to launch an Apple Watch App

Innovation

Time of Day Product

18

Number of weeks needed to deliver a new regulatory pilot

Regulatory

What's with the skateboards?

Skateboards are used to celebrate all the different product milestones we accomplish with our digital team.

What is their purpose?

The skateboards allow us to recognize the hard work and creativity of our team and serve as a great conversation piece for the team.

What do they represent?

They represent our Agile methodology--it's a lot faster to move towards where you want to go if you start by building a skateboard, instead of starting with a car.

Since the inception of its partnership with Deloitte, our client has matured their products through agile methods and expertise by leveraging Deloitte's Project-to-Product transformation playbook. Whether through new products that align to renewable energy goals, smart cities and the smart home, or emerging technology, we work jointly with our client to deliver innovation, day-in, day-out. Our team continues to grow its impact as we engage with our client in the next phase of their digital transformation journey.

Conclusion

In this era of digital transformation and rapidly changing business conditions, there has never been a greater need for true organizational agility. By undertaking the product shift, companies maximize the value of their investments and develop the flexibility they need to stay competitive in the long run.

Deloitte's Program and Transformation Management Project-to-Product Transformation offering has been leveraged by clients across industries to help develop product-forward organizations by providing guidance on product strategy and transformation, building product value streams to enable business results, coaching product engagements, executing on roadmaps, and training organizations on the product mindset.

We have worked with many of our clients to successfully accelerate value realization on their product transformation journeys. The future of digital growth and value lies in the adoption of the product mindset, and we would relish the opportunity to embark on your product transformation journey with you.

Get in touch

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