pendo

HOW PRODUCT LEADERS FUEL

DIGITAL TRANSFORMATION

Introduction

Have you checked your investment account balance today? Do you know how many steps you've taken so far? How about that grocery delivery order? Chances are none of these tasks required a phone call or trip anywhere beyond your couch.

Businesses are recognizing that nearly every task in our to-do list has a digital solution—albeit, at different degrees and speeds—and polls found that more than 70% of US based companies plan to introduce a new digital technology platform, digitize existing products, or digitize their innovation processes. More broadly, a recent report projected that the global digital transformation market will grow at a Compound Annual Growth Rate of 16.5% by 2025.

Digital transformation was already well underway before 2020, and to state the obvious, COVID has only accelerated the inevitable. As more businesses begin to build, update, or reimagine internal and external software offerings in order to succeed in this new era, the people responsible for these efforts play a critical role in the digital transformation that's taking place.

Whether you possess a product title yourself or work at a large enterprise that builds internal or external digital products, this guide aims to illuminate the connection between product professionals and digital transformation. We interviewed experts from a variety of industries in order to offer both helpful context and tactical advice for leveraging digital products to drive business outcomes like customer retention, growth, innovation, and beyond.

To begin, let's turn to one of the most important questions: **Why is this so important now?**
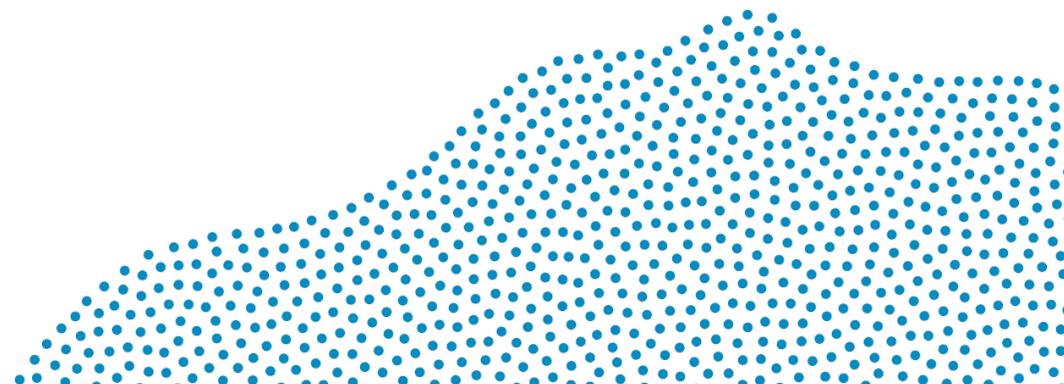
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SECTION 1:
A reinvigoration of digital transformation

The idea of digital transformation has been around for decades, resurfacing at different points in time (in the mid-2000s, for example, with the rise of social media platforms) and under different names (e.g. "digitization" or "digitalization"). The one constant? The term "digital transformation" is vague and there isn't a single, universal definition. Everyone talks about it, but no one really knows what it is.

For our purposes, we're defining digital transformation as the **transition of the customer and employee experience from analog (i.e. manual or requiring an actual human) to digital.**

While digital transformation transcends a single role, project, or outcome, it's important to clarify that the purpose of this guide is to explore the role digital products (and those who build and manage them) play in digital transformation efforts. Thus, we focus on product and its adjacent functions but acknowledge that there is more to digital transformation, especially as it relates to your company's specific business processes and goals.

Digital is becoming the primary experience

It's difficult to find a business or industry that hasn't taken on digital initiatives in some capacity. In the past, it might have been enough to create one shiny "digital-first" offering— a mobile app, for example. Today, that won't cut it.

Instead of digital being one of many experiences, it's becoming *the* experience, both for employees and customers. It's also becoming the best source for competitive advantage. Ami Brenner, VP of product management at a large financial services corporation, explains how her company is thinking about this: "There's been a big push that we can no longer compare ourselves to other financial services companies. We have to be thinking like a digital company."

Similar to financial services, healthcare is another example of a massive industry that was once slow to transform, but is now pushing ahead at full speed. Bob Zurek, chief technology officer at patient engagement platform Millennia, attributes the emphasis on the digital experience to the consumerization of healthcare. Consumers across all demographics are accustomed to the digital bar being set high by the Amazons and Googles of the world, and they want that same type of seamless, digital experience in every facet of their lives. So, companies must deliver.
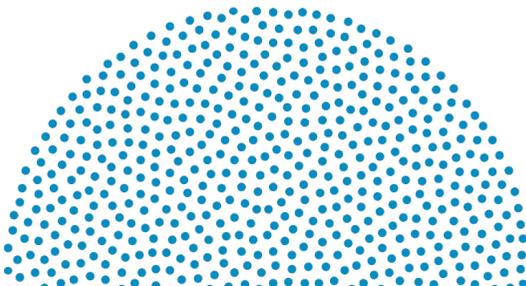
A global pandemic

In addition to impacting how we live, work, and connect with others, COVID-19 has accelerated many companies' efforts to improve (or in some cases, build from scratch) their digital offerings. In April, Microsoft CEO Satya Nadella said they saw two years' worth of digital transformation in two months as they worked to help customers "adapt and stay open for business in a world of remote everything."

When digital became the only way for companies to connect with customers, it shed light on who was prepared for this shift and who wasn't. After the initial shock wore off, teams needed to rethink how they communicate with and serve customers and which tools and tactics will help them get there.
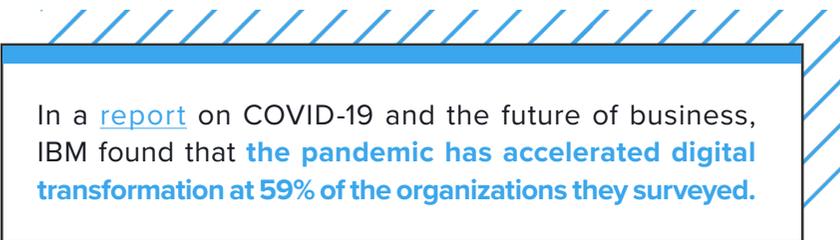
In a report on COVID-19 and the future of business, IBM found that **the pandemic has accelerated digital transformation at 59% of the organizations they surveyed.**

Customers expect more

As technology replaces manual processes and these digital experiences bleed into nearly every part of our lives, it greatly impacts how businesses and customers interact. And as these seamless and user-friendly experiences become the norm, employees expect that same caliber in the software they use for work.

For example, users are no longer satisfied with one-way communication. They want to be able to provide feedback and engage in ongoing dialog about their experience with a product. Companies need to ensure they're not only delivering on the value they originally promised, but adapting to users' unique (and changing) needs.

In a Harvard Business Review article exploring the need for industrial businesses to embrace digital capabilities, the author explains how customers' expectations have created a make or break moment for the industry: "Unless they can accommodate customer demands for digital tools and capabilities, using them to enhance every phase of the customer journey, they may well find themselves struggling to compete with faster-moving peers or new entrants for whom digital is a way of life."

Next, we dig into why product leaders in particular have an opportunity to help their organization adapt to—and thrive in—a digital-first world.

SECTION 2:
The opportunity for product leaders

When considering the definition of digital transformation shared earlier in this guide, the connection to product professionals seems clear: Companies need people to oversee the digital assets they create. Beyond that, though, we can think of **product leaders as change agents**, utilizing their cross-functional position to help the entire organization navigate new priorities and new measures of success by making digital product decisions that keep the customer firmly embedded at the forefront.

Breaking down the product role

Part of digital transformation is leveraging technology to enable customers to engage with your business in ways they haven't been able to before, with the ultimate goal of improving their experience. Internally, digital transformation means arming employees with tools that will streamline their workflows, remove friction, and allow them to dedicate more time to the high-value parts of their job.

Here are some attributes of a product pro (whether you have the title or not) that make them well suited to tackle digital transformation:
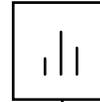
DATA-DRIVEN DECISION MAKING

Data has become central to decision making in nearly every area of a business. Since there's no opportunity for human-input error, product usage analytics hold a unique power in that they have the potential to be the cleanest data set available. Because of this, product leaders have access to valuable data that can help shape business priorities, all based on how users are engaging with the product(s).
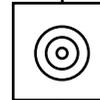
A FOCUS ON THE CUSTOMER

In order for digital efforts to be successful, there needs to be a deep understanding of the customer and their needs. This is an inherent quality of a product professional, since their work revolves around listening to customers, analyzing how they use the product, and deliberately building with the end user in mind.

EXPERIMENTATION

Constant iteration is one of the foundations of modern product teams, since product pros are responsible for running experiments and user tests in order to learn as much as possible about how their product is used. This knowledge often helps uncover new opportunities for innovation that might not have been realized otherwise.

CONNECTING TEAMS

Transformation initiatives require buy-in from the entire organization. Since the function is so collaborative in nature, product team members play a key part in connecting the work and priorities of engineering with teams like marketing, sales, and operations. For an internal product, they also often champion rollout and training, serving as a resource for their colleagues in other departments.

Shifting from projects to products

In order to keep up (and stay ahead) in the digital age, businesses need to leverage product management techniques and processes. As they work to turn existing services into digital products or create new digital offerings from scratch, business owners are becoming product owners. Gartner predicts that by 2023, 80% of IT organizations will experience radical restructuring with the mission to embrace the product management operating model. Senior Director Analyst, Deacon D.K. Wan, explains: "Now that all businesses are digital businesses, all enterprises should plan and begin to execute this transition to more agile product delivery teams."

If an organization doesn't have a formal product management function or team, it doesn't mean that this form of digital transformation is impossible. One of the most important steps is shifting your thinking around how you build and/or optimize digital products. **The idea of pivoting from projects to products goes hand-in-hand with the idea that the work we do on technology is never done.**

A project has a start and end date, whereas a product is constantly evolving. The product development loop is always in motion and hinges on constant testing, measurement, and iteration. This agility not only helps spur more innovation, but sets companies up to be able to adapt to both changing customer needs and market conditions. Today's leaders need to embrace this mindset, but they don't have to face these challenges alone. In the next section, we'll look at what makes for a successful product leader in the digital age, and how teams can work more effectively.

PROJECTS → **PRODUCTS**
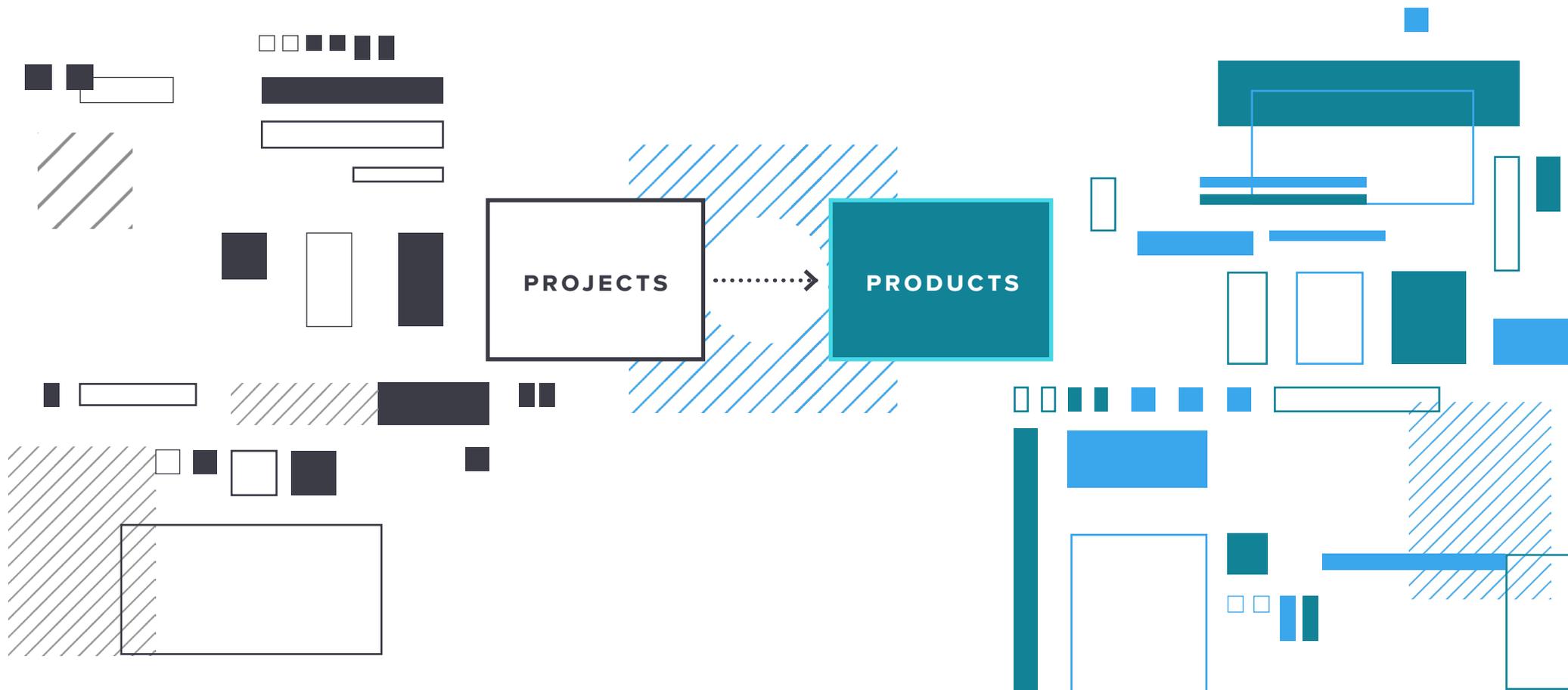
SECTION 3:
Building the right team

With change comes the need to reevaluate the team who will help you get there. This is especially true when rethinking how you deliver value to customers in a digital world. For companies that don't currently have a formal function with the label "product," this doesn't mean simply changing titles. But, in the spirit of leveraging product management practices, there is something to be learned from the way product teams operate.

This will, of course, look different at every company. Maybe your leadership team has chosen to prioritize hiring people from true product organizations, or maybe it's a matter of getting multiple stakeholders on the same page. Regardless, it's worth investing in a cross-functional team that coalesces around the product and is hyper-focused on the customer.

Teams don't need to be big, but they need to make an impact

Product management teams often serve as problem solvers and innovators in large organizations. And while you might think that the larger the team, the greater the impact, that's not always the case. As David Cohen, who worked at Procter & Gamble for over 30 years in various technology roles, put it:

"Sometimes you're working on something with ten people, but they're only able to dedicate 15 or 20 percent of their time and energy. And that's extremely inefficient when you're driving transformation. It's much better to have a small team that's more dedicated."

Rather than quantity, focus on quality by developing a multidisciplinary team whose mission is to create digital products and services that solve problems customers may not even know they have. There needs to be a culture of experimentation, and an agreement that not every idea will work—but every idea can help you get to the next great one.

> " Getting better at experimentation will allow for more innovation, but the first step is to get people to be okay with running experiments and even running a failed experiment."
>
> **Ami Brenner** VP OF PRODUCT MANAGEMENT

Skills that matter

Whether your team is looking to bring in outside hires or grow from within, there are certain qualities to prioritize in the people responsible for building or managing digital products. **Here are some that the experts we spoke to identified:**

DATA-DRIVEN MINDSET

"Data speaks volumes, as does the feedback that you get from all your stakeholders, so the most critical skill that you should have is being able to reconcile those two pieces and make a good data-driven decision. You have to make decisions about every little thing, and be very calculated about those decisions. "
**- Vinay Shukla, Product Owner at Thomson Reuters**

PASSION AND COLLABORATION

"I think one thing that's very, very important is passion—a passion for what they do, a passion for what they're building. I think the other thing is great collaboration skills, because they have to interact with a lot of different people across the organization, nevermind the target audience. You have to have good soft skills."
**- Bob Zurek, CTO at Millennia**

EMPATHY

"For this type of role, you want people that are empathetic and can really understand users' or customers' concerns because when you understand someone's needs, you will be better able to meet them."
- **David Cohen, former Associate Director of Global Brand Equity Solutions at Procter & Gamble**

Now that we've laid out the context behind the connection between product management and digital transformation, we'll dig into the specific tactics and responsibilities that come with the territory of owning a digital product.
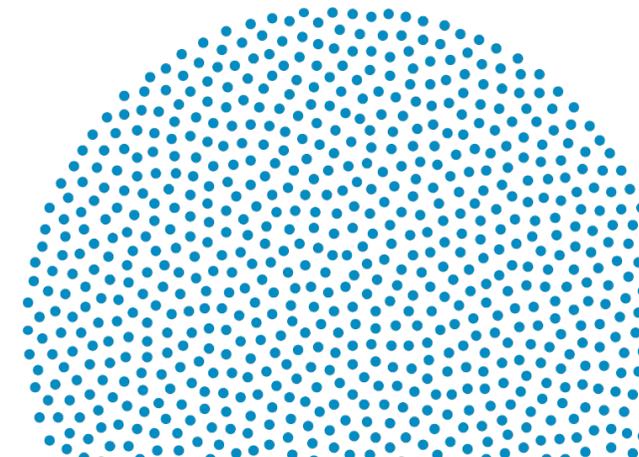
The ins and outs of any job are bound to change over time. We've identified four core areas that people who work on digital products should be focusing on.

1. The importance of product data

If you're tasked with building, updating, or managing a software product, think of data as your foundation. Bob Zurek of Millennia pointed out that part of digital transformation is advocating for the right data. He explained: "For any company, it's important to really understand the activities and actions in your product and how users are interacting with it on a day-to-day basis. It gives you phenomenal power to make decisions because you're backing those decisions with real data."

Peter Ikladious, a growth advisor who previously worked at IBM in multiple product management and digital transformation roles, identified this as a challenge for a lot of companies. Organizations that don't have measurement in place might know that something isn't right in the product, but they don't know why it's not right and they don't have the ability to find out.

> " You need to know what the data is telling you—that foundation is absolutely critical. Some companies have been around for a long time and have said, 'we've never had to do that before.' It's true. You've never had to do this before, it's different, but you've got to do it."

Peter Ikladious   GROWTH ADVISOR

The power of product data comes from the ability to make decisions that will improve your end users' experience. The more you measure, the more you'll gain insight into which areas of the product people access the most, which are underutilized, and where you may be falling short. At Brady Corporation, the knowledge they've gained through product analytics has been highly impactful. Rather than basing decisions on word of mouth or gut instinct, they lean on product data to guide decisions and ensure their engineering team is working on the right things.

Mitch Reams, senior global product manager, detailed the benefits of having this product data: "It makes us much more streamlined at what we want to do going forward, from a new feature development perspective or as we think about the next generation of our software. We're making sure that we're maximizing our engineering resources to the best of our ability, as opposed to just having them work on everything."

GROWTH AND DIGITAL TRANSFORMATION

As a growth advisor, Peter Ikladious offered another way to think about digital transformation. He sees the Growth discipline as a way of achieving digital transformation by building for the customer, working in an agile fashion, and leveraging data every step of the way.

> "
> If you can't measure or collect data on what's happening to your customers, then it's just not going to work. You need to be learning from each round of work that you do."
>
> **Peter Ikladious** GROWTH ADVISOR

MARRYING QUANTITATIVE AND QUALITATIVE DATA

While product data is important, it's equally crucial to combine these quantitative measures with qualitative data, for example from customer feedback or user interviews. If you lean too heavily in one direction, you might not be getting the full picture. Lucia Morales, software operations manager at Brady Corporation, said that it's been beneficial to combine product data with direct feedback in order to decide what their customers really need.

One example of this is using product analytics to validate whether problem areas that most often arise in customer calls align with where users are spending the most time in the product. Ideally, your team should be focused on improving product areas that are accessed the most, versus only listening to "loudest" customers. Similarly, combining quantitative (e.g. product usage) and qualitative (e.g. support tickets) data is key when teams work to optimize onboarding in order to ensure they steer new users toward the right features and functionality.

2. Understanding journeys and workflows

Beyond product data, improving customers' digital experience with your business requires a deeper understanding of the paths users are taking, and, more importantly, what will provide them with the most value. It's not just about the number of clicks on a certain button—it's identifying the objective users are trying to reach by clicking on that button, and optimizing their experience accordingly.

For example, if you're rolling out a new internal product, examining user workflows as you begin training will be paramount to understanding how users interact with the tool and where the experience can be improved.

Some companies may also see extremely high engagement as more people access their digital tools and services for the first time. While an influx of new customers is a good thing, when the experience is entirely digital, companies need to understand new users' needs to ensure they're finding value as quickly as possible.

As you begin analyzing your customers' digital journeys, think about what ideal engagement looks like—not every product is meant to be used every day, every week, or even every month. Identify the value you're trying to provide and examine existing patterns to better understand the engagement level you should be striving for.
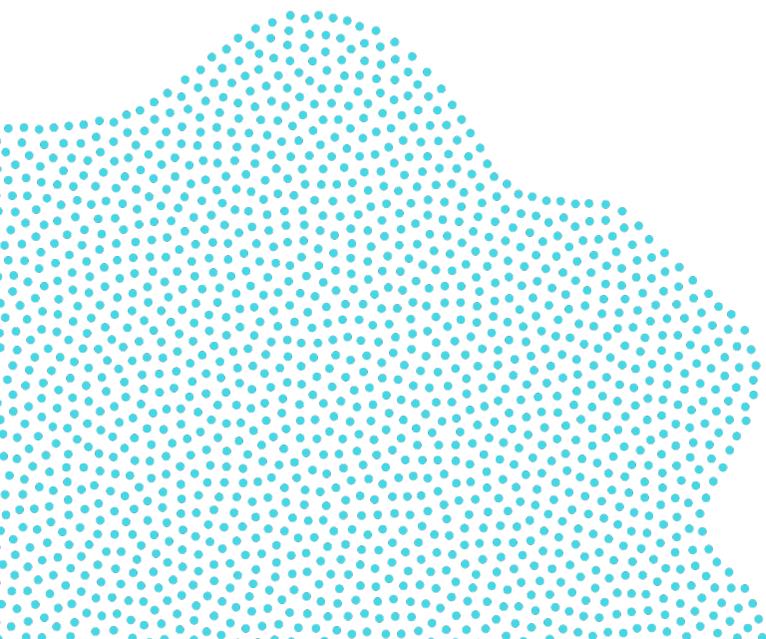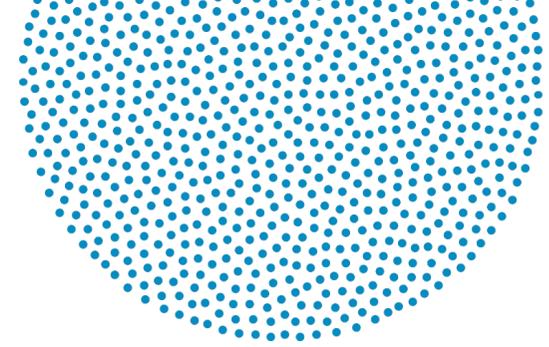
3. Effective in-app communication

Once you have a clear understanding of how users are engaging with your product, the work doesn't end there. The next step is to take action on the insight you've gained, and one of the most effective ways to do this is by communicating with users within the application itself.

If you see that users are getting stuck in a certain area of the product or calling into support about a specific feature, you can use in-app guides to provide the right information at the right time to proactively answer questions and eliminate confusion. More importantly, you don't have to wait six months to push an update through a release cycle. If you have a rush of new customers accessing your digital tools, the onboarding experience is a crucial time to ensure they understand how to use your product and find value in it. With in-app messaging, you can accommodate varying technical skills and levels of support need, ensuring each user is met with resources to help drive their success.

Additionally, the nature of your software and how users access it might warrant the use of in-app communication. The Brady team explained that their safety software, Link360, is used on an as-needed basis to support customer programs and maintain compliance. In order to ensure the digital customer

experience is consistent and users stay engaged, they've created refresher guides that explain how to perform key actions in the product. Lucia Morales added that "guides have really given us the ability to walk our customers step-by-step through the processes that they're trying to complete."

THE POWER OF PERSONALIZATION

Instead of serving your entire user base the same in-app messages, segmentation offers a way to cater to specific subsets of users and deliver the information that will be most relevant. And as we discussed earlier, customers (not to mention employees) are coming to expect this level of personalization. Whether you have multiple types of users with different needs or certain features that will be especially useful for specific personas, think about how you can customize your communications accordingly.

For Brady Corporation, personalization means improving the customer experience, including the ability to point users to Brady solutions that are relevant to their needs, right when it's top of mind. Mitch Reams explained: "When users are creating a safety procedure that our other products could help them with, we apply the Pendo solution to educate them, 'You're locking out a piece of equipment and Brady offers padlocks and devices that do exactly what you're looking for.'"

4. Test, measure, iterate, repeat

As you utilize product data to understand your users' journeys and improve their experience, be mindful of the fact that this should be an iterative cycle. Vinay Shukla, product owner at Thomson Reuters, pointed out that when it comes to measurement, it is an ongoing definition of success. He uses product analytics to measure things like stickiness, feature usage, and retention, and also gathers feedback from users directly in the product. Depending on what the data is showing users' biggest needs are, the definition of "good" engagement can change over time.

Ami Brenner also said that part of digital transformation is instilling this mindset of sticking to one area of the product and continuing to iterate it. This relates back to the idea of focusing on products over projects.

One way to help foster this is to tie the work you're doing to metrics that are meaningful to the business. David Cohen explained that even though some of the work he and his team at P&G did only impacted part of an overall business initiative, it was still important to connect their work to the larger purpose. You can also think of it as having in-process measures (e.g. product adoption or engagement) and outcome measures (e.g. cost savings or revenue).
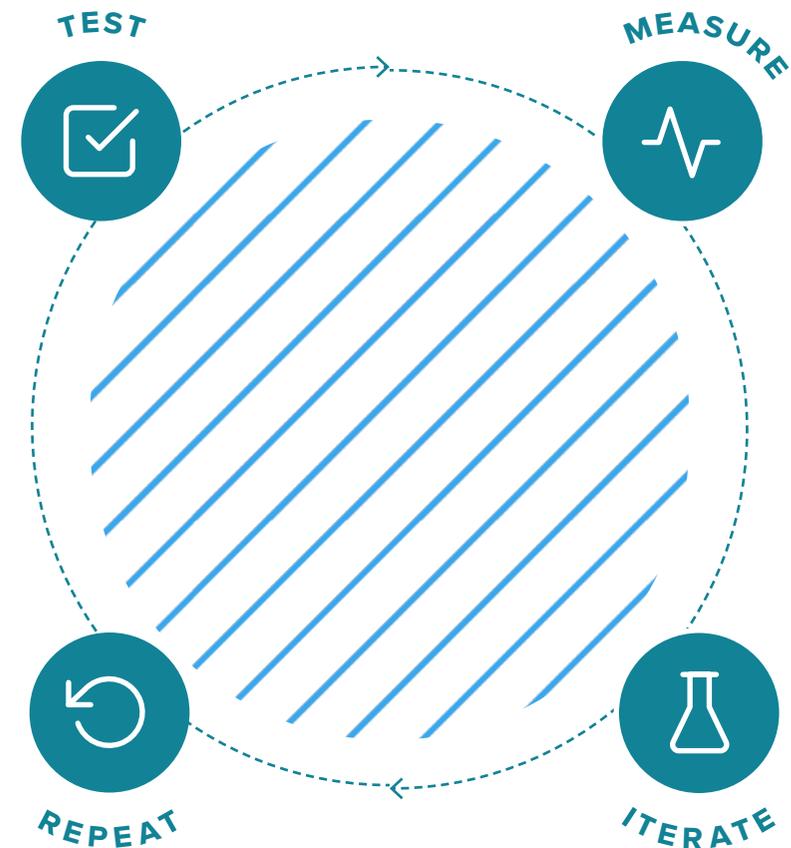
In the context we've been exploring, digital transformation is largely about changing the way people work—whether it's through processes (e.g. using product development techniques) or technology (e.g. a new internal tool). If you're rolling out new software or implementing new ways of operating (and shifting resources), there is bound to be an element of change management. And these cultural shifts go hand-in-hand with—and are crucial to the success of—the development work.

How to advocate for the digital experience

Product professionals are also often responsible for advocating for the importance of a company's digital experience, and the work that goes along with it. **Here are some things to consider when you're tasked with this:**

1. GET BUY-IN AT THE HIGHEST LEVEL

Something that came up in multiple interviews was the importance of getting buy-in from your leadership team. As Peter Ikladious said, "I have not seen a bottoms up movement of digital transformation. Digital transformation is top down or it doesn't happen."

A key step to getting buy-in is articulating the positive results you expect—whether it's customer churn reduction, time savings, or otherwise. At the highest level, there tends to be three things that matter: revenue, cost, and risk. So, how can you connect the work you're doing (or want to do) to increasing revenue, lowering costs, and/or reducing risk? Advocating for funding or resources is a skill in its own right, and a good way to approach it is by having a dedicated champion of the initiative you're proposing.

2. FOCUS ON THE BUSINESS VALUE

You will likely need to also convince other stakeholders across the company that a particular product initiative is worth pursuing. This means presenting the information in the most relevant way possible for each audience. Each department has its own goals and way of doing things, so it's important to articulate the value they will receive.

David Cohen explained how they thought about this sentiment at P&G: "We would talk about services over technology. A service is something that can be technology independent, and the idea is to talk about things in a language that your users—in our case, internal employees—will understand."

3. CELEBRATE SUCCESS ALONG THE WAY

When taking an iterative approach to development, smaller milestones offer the opportunity to release early versions internally and share progress, helping everyone better understand the work that's happening. This is also where your internal champion comes into play, since their responsibilities stretch beyond the phase of getting initial buy-in.

As Peter Ikladious advised: "It's important to not try to do too much in too long of a time, but instead take bite-size pieces and celebrate successes along the way. Let the company know what you're building towards, and what you've accomplished so far."

> "
> You can't be successful with any kind of digital transformation without the rest of the business caring. And to get people to care, they need to understand what the value is."
>
> **David Cohen** FORMER ASSOCIATE DIRECTOR OF GLOBAL BRAND EQUITY SOLUTIONS AT PROCTER & GAMBLE

4. RALLY BEHIND A NEW PRODUCT OR FEATURE

If you're working on creating a brand new product or making changes to an existing app, the product itself can be an excellent tool for bringing people together in support. One reason is that it provides a tangible representation of the digital transformation work. Also, people may have been part of digital transformation initiatives in the past that never came to fruition. So, speaking in terms of the product your spearheading can help ease or prevent that potential skepticism.

> " It's hard in any organization to change the way you're structured or change the way that you do work. So it's often more about the slow, gradual change."
>
> **Ami Brenner**   VP OF PRODUCT MANAGEMENT

Digital transformation is ongoing

Any type of digital transformation (whether you call it that or not) is going to be an ongoing effort. This is true both tactically—for example, in the way you serve customers through digital products—and culturally within the organization. **Product management happens in sprints, but digital transformation is a marathon.**

But don't let this keep you from constantly building, iterating, and improving. David Cohen noted that "there's always an opportunity to transform things because business processes are always changing."
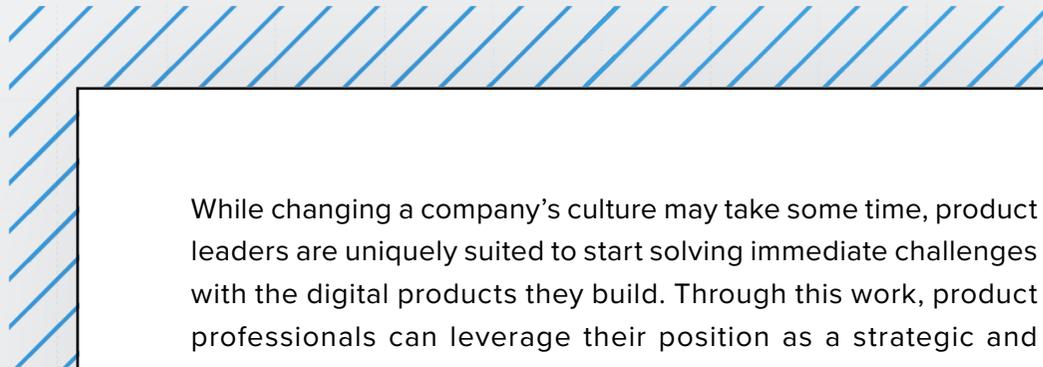
While changing a company's culture may take some time, product leaders are uniquely suited to start solving immediate challenges with the digital products they build. Through this work, product professionals can leverage their position as a strategic and collaborative partner to rally the entire organization around the product to better serve internal and external customers. And if that's not an incredibly exciting opportunity, what is?
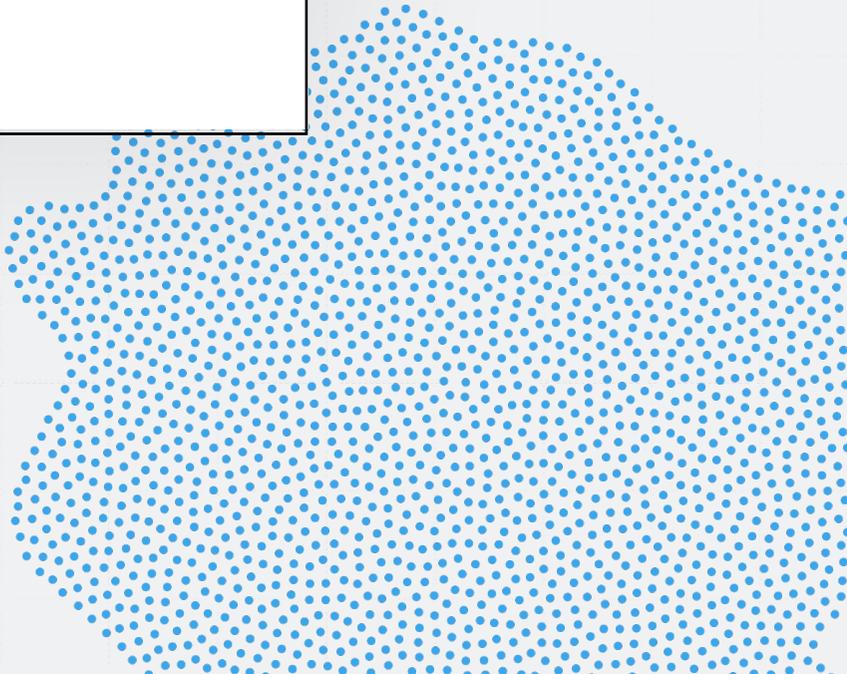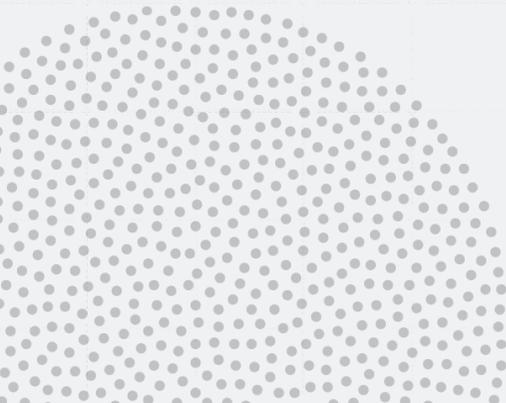
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