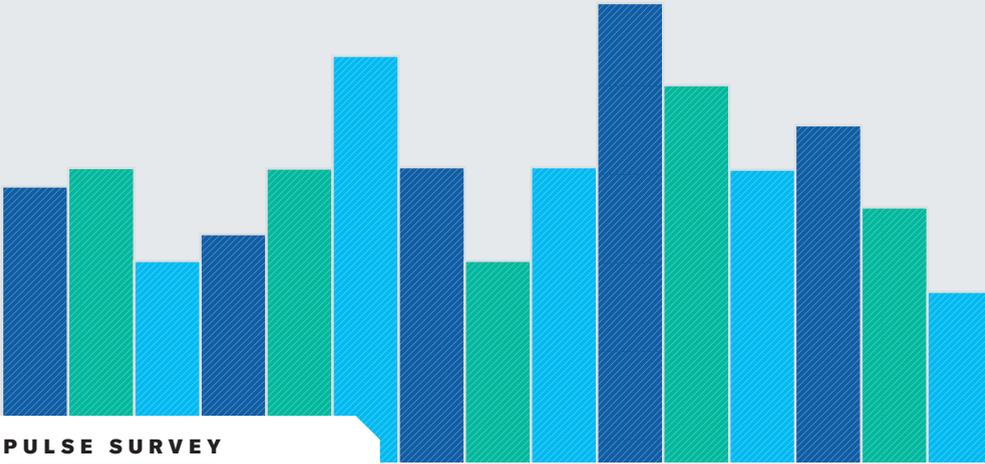




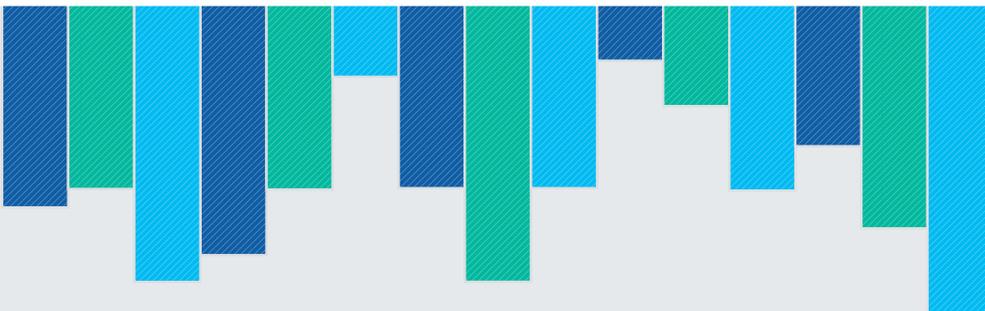
**Harvard  
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ANALYTIC SERVICES



**PULSE SURVEY**

# Gaining Speed and Flexibility Through a Product-Centric Approach



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Now's not the time to stand still. Business models across every industry are being reshaped by shifting consumer demands and the accelerated pace of technology. Amazon overturned the retail industry. Netflix is redefining media. Zoom has companies rethinking their office and commercial real estate strategies. As firms adjust to wave after wave of change, they become increasingly dependent on technology to deliver value and differentiate themselves from competitors.

But how do you know what technology to depend on? How can you use it to deliver value or differentiation when "digital transformation" is on the tip of every executive's tongue?

At Atlassian, we believe technology's true value is unleashing the potential of the teams who use it. Sure, technology can automate the routine or mundane, but the real magic is when it empowers organizations to be more nimble, more flexible, and more agile through effective teamwork—when it accelerates innovation by connecting ideas, cuts time to market with streamlined communication, or enables enterprise-wide pivots through real-time monitoring of aligned, measurable outcomes.

Our beliefs are shaped by our heritage. Atlassian began in 2002 as a software development team focused on helping other software development teams track and fix bugs. As the size of the teams we supported increased, so did we, but we never lost touch of our product-centric, customer-first culture. Now, with more than 170,000 businesses using Atlassian products such as Jira, Trello, and Confluence—including 90% of the Fortune 500—we see how valuable our approach to teamwork can be to our customers. When leveraged across the many functions we support—such as modern work management, agile planning, DevOps automation, and IT service management—operating with an iterative product-delivery mindset can rewire an organization's ability to adapt, innovate, and grow.

As a business leader, I challenge you to ask yourself the following questions:

- Can you easily connect the work being done by your teams to your company's broader strategic goals?
- Are your teams empowered with both the information and the practices required for them to adapt quickly to the changing needs of your business?
- As your business model continues to evolve with technology, are you confident in your team's ability to deliver on time and on budget?

We've partnered with Harvard Business Review Analytic Services to dig into the key benefits and considerations of shifting to a more agile, product-delivery model in your own organization. You'll hear from a number of analysts and leaders who have achieved increased speed and improved customer experience despite the challenges that come with changing business structures and processes. And, hopefully, you'll glean insight into how embracing a new way of working can help your business turn change from an obstacle to an accelerant.



**Cameron Deatsch**  
**Chief Revenue Officer**  
**Atlassian**

# Gaining Speed and Flexibility Through a Product-Centric Approach

The business landscape has become a place of ever-changing customer needs, new organization and operating models, and disruption. To respond to these forces, companies are embracing a new approach to cross-functional collaboration that focuses less on accomplishing tasks and more on generating business outcomes.

This “product-delivery operating model” takes concepts from software development to dynamically spread change throughout the organization. Cross-functional teams—which can contain members from IT, finance, HR, logistics, or any part of the business—embrace a long-term orientation around the notion that a product is never really completely developed. Product development is a living, iterative process based on constant user feedback. When the product model is applied across operational processes, it provides the kind of speed and flexibility that is out of reach in a traditional, hierarchical, waterfall approach.

Eighty-five percent of the 132 executives responding to a recent Harvard Business Review Analytic Services survey see this new product-delivery operating model as necessary to achieving optimal benefits from their digital transformation efforts. Respondents emphasize that the benefits their organizations have gained most or expect to gain most from this new model include improving the customer experience (cited by 61%), spurring continuous growth and profitability (41%), and improving collaboration and teamwork (39%).

At a time when more and more companies try to recast themselves as a technology purveyor instead of a traditional manufacturer or conventional service provider, the product mindset allows them to adapt to rapid change and deliver innovation to market with the speed and efficacy of the agile tech giants. “There’s really a high interest in moving to a product-delivery model,”

## HIGHLIGHTS



**85%** of survey respondents see a product-delivery operating model as necessary to achieving optimal benefits from their digital transformation efforts.



**82%** agree that a product-delivery operating model can play a significant part in shifting IT from a cost center to a profit center.



**61%** say the biggest challenge to implementing the model is revising organizational structures and processes.



The survey uncovered that the product model thrives when companies exhibit strong leadership, from aligning executives with teams, to developing the right culture, to finding team managers with a new and diverse set of skills.

says Jeffrey Hammond, a principal analyst for Forrester who focuses on emerging technologies. “From Microsoft to Netflix to Spotify, many large technology companies have created tremendous value from their platforms using this operating model. Now companies from financial services firms to quick-service restaurants see this as a way to emulate the most cutting-edge, forward-looking companies with respect to how they deliver their digital products.”

A product mindset has far-ranging implications that can affect every part of an organization—and it can be used by any department, from HR to finance to logistics and more. To adopt a product-centric process, companies must address disconnected teams and systems that have traditionally led to siloed thinking, goals, and actions. The survey uncovered that the product model thrives when companies exhibit strong leadership, from aligning executives with teams to developing the right culture to finding team managers with a new and diverse set of skills.

“The companies that have been visibly successful with a product-delivery operating model understand the importance of culture,” says Dan Tucker, who leads Booz Allen’s digital

platform capability team. “They divest themselves of practices and norms that don’t serve the organization’s greater good. To succeed with a product model, you must provide a safe environment for continuous learning and intellectual curiosity.”

### Rethinking the Project Focus

The traditional, waterfall approach to operational planning involves developing a scope with a set of milestones to reach and a fixed budget so that the goals are accomplished in a linear, sequential manner. While such an approach makes sense for, say, constructing an office building, software innovation is often not predictable enough to fit into the tidy confines of project methodology. Software development is too dynamic, complex, and ever-changing based on new customer requirements.

As the complexity and pace of business have increased, IT and DevOps are not the only workers who must become more agile and cross-functional to react to faster-paced change. Companies have realized that teams cannot be limited to isolated pods of individuals or functions. The product mindset must be expanded to other parts of the organization—from HR to finance and to outside partners—to keep everyone aligned on the outcome they are trying to achieve.

As an example of how teams are now being structured, Forrester’s Hammond points to a large hotel chain that wanted to include a remote door-unlock function in its mobile app. This apparently simple engineering project didn’t seem like it would demand much cross-functional coordination. However, making use of the feature required the hotel chain to convince franchisees to install expensive door lock systems that could support these remote door locks. “That is a cross-functional operational issue,” Hammond says. “Breaking down those barriers is critical to digital transformation, and a product model helps break down these barriers.”

The underpinnings of a product model—innovation, iteration, and collaboration—are the organizational characteristics that are often needed to create compelling customer experiences in a fast-moving, quickly changing landscape. The payoff from a product-delivery operating model starts with improving the customer experience, cited by more than six in 10 survey respondents. **FIGURE 1**

FIGURE 1

### Benefits of a Product Approach

Improved customer experience is biggest payoff

For your organization, which benefits has it gained, or does it expect to gain most, from adopting a product-delivery operating model? SELECT UP TO THREE.



Source: Harvard Business Review Analytic Services Survey, May 2020

## The Payoff from a Product Focus

Adoption of the product-delivery model is being driven by the need to keep pace with customer demands and industry innovations, as the hotel chain's decision to pursue keyless locks demonstrates. Survey respondents said their two primary motivations to move to a product-centric model were to operate more quickly to keep pace with change and support digital transformation. **FIGURE 2**

Digital transformation aims to make organizations more agile and flexible, so its association with a product-delivery operating model isn't surprising. Some 81% of respondents agree to some extent that a product model is required for digital transformation to achieve optimal benefits. This finding is especially important because 76% say that digital technology to some extent will influence more than half of their new revenues going forward. "A product mindset works hand in hand with digital transformation, because both focus on prioritizing value," explains Booz Allen's Tucker.

The frustration that companies feel about the traditional project model is also apparent in how disconnected business units feel from the work being done in IT. Almost half of survey respondents (49%) report that when using the project model, IT departments, even at a high level, lack sufficient visibility into what teams are doing because the teams operate autonomously. A similar number of respondents (49%) report that business units feel, under the traditional linear project model, that IT does not implement enough of team members' ideas for new technology solutions/features.

A product model requires IT and business units to develop shared priorities. Developing a deep level of collaboration between the two can help eliminate the "black box" perception that often makes business users feel that IT is not addressing their needs. Eighty-two percent of respondents also agree that the model can play a significant part in shifting IT from a cost center to a profit center. The change can elevate IT to a more agile and innovative perch that digital transformation demands.

## Rethinking Processes, Culture, Talent

Just as a product operating model can have a profound impact on the way an organization operates and the value it delivers to customers, it also requires companies to reimagine many aspects of their operations.

Companies must significantly rethink their business models, find new ways of working, and revise how teams are organized and managed to meet the cultural challenges within organizations undergoing a digital transformation effort. **FIGURE 3**

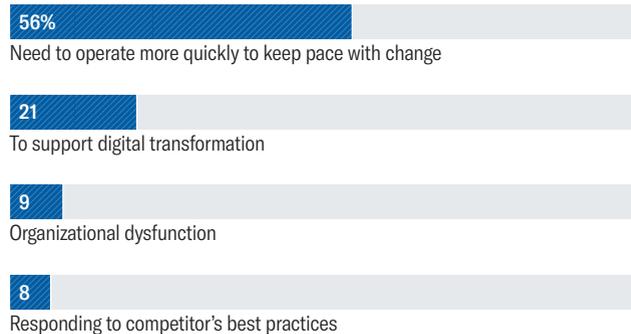
Given that a product-delivery model has such widespread ramifications and significantly changes the way a company operates, it must be approached with a laser-sharp focus. The most important characteristic to success, cited by 72%

FIGURE 2

### Need for Speed

Companies have one prime motivation for adopting a new operating model

What is the primary motivation for exploring or moving to a product-delivery operating model at your organization?



Source: Harvard Business Review Analytic Services Survey, May 2020

FIGURE 3

### Digital Dictates

Digital technology will change everything from team management to business models

Rate the extent to which you agree with the following statements.



Source: Harvard Business Review Analytic Services Survey, May 2020



**A product model requires IT and business units to develop shared priorities. Developing a deep level of collaboration between the two can help eliminate the “black box” perception that often makes business users feel that IT is not addressing their needs.**

of respondents, was having executives aligned with how teams operate. “The CIO and general manager won’t be aligned if the CIO only cares if the project came in on budget but doesn’t care what features it has,” Hammond says. “That level of dysfunction inevitably rolls uphill, and it’s hard to create a culture of respect if members can’t treat each other in a collegial way.”

Khalid Kark, the U.S. CIO program director for Deloitte, believes the problem isn’t alignment of top-level executives but of managers one or two levels below. “If they have been doing things the same way for decades, it can be hard to make adjustments,” he says. “Companies need to make sure they have the right goals and incentives in place to encourage managers to make those adjustments.” One example is measuring the success of an initiative by an increase in customer satisfaction rather than by whether individual functions accomplish their particular tasks on time and on budget.

Tucker says that companies falter when they only apply this model to the IT function but not other parts of the organization. “This model won’t work if companies remain linked to their silos,” he says. “If funding remains tied to specific projects, and those projects reflect how people’s careers will advance, it’s hard to get them to really focus on the enterprise strategy.”

Consider how a product approach might affect, say, the HR department. A typical task might be to evaluate, purchase, and implement a learning development system (LDS) to enhance professional development. Typically, HR would put in a request for proposal for a couple of LDS platforms, assess which tool seems best, and then roll it out, hoping the employees would use it. If not, they would have to force its use or waste a lot of money on technology that wasn’t helpful. Alternatively, using a product mindset, HR would survey the employees about what they need, test a few different options, receive feedback, roll out what performs most effectively, and constantly monitor how it is performing so they can adjust as they go.

Similarly, waterfall financial planning would dole out budgets once a year based on what goals various project teams throughout the organization want to achieve. Once set, the budgets don’t change—even if business needs and conditions do. A product mindset would commit some of those funds but hold other funds back. By monitoring performance and market conditions quarter to quarter, the organization can assess what work needs to be spun up or down based on sudden market or culture shifts. As a result, the agile, iterative, product-delivery operating model that software teams already use is woven throughout the organization as a shared mentality.

It’s a distinction that survey respondents recognize. The skills they deem most important to making the product mindset model successful are decidedly enterprise-wide,



“This model won’t work if companies remain linked to their silos. If funding remains tied to specific projects, and those projects reflect how people’s careers will advance, it’s hard to get them to really focus on the enterprise strategy,” says Dan Tucker at Booz Allen.

team-focused, and centered on leadership. For example, the ability to lead and manage diverse teams (55%) and the ability to negotiate and overcome conflict (53%) were the two leading responses.

To succeed with a product-delivery operating model, team members from multiple functions must be able to identify and share problems without pointing blame at others in the organization. “This takes courage, and the courage depends on a culture that makes it safe to experiment,” Tucker says.

He recalls one top executive who handed out “get out of jail free cards.” If someone started a research and development effort that went nowhere after three months, that person could simply turn in the card. “They called a mulligan,” Tucker says. That kind of freedom to fail is necessary to encourage people to innovate and take risks, which are among the key attributes of the product-delivery operating model.

## Teams Become More Ambitious

When the right culture and leadership are put in place, the impact that a product-delivery operating model has on teams is profound. This approach affects how teams are composed, how they are managed, how ambitious teams can be, and how members of teams feel about their work.

Traditional project-delivery operating models focus on employees completing a set of tasks individually, which often results in numerous disconnects throughout the organization that have a drag on strategic company initiatives and digital transformation efforts.

The lack of an association between what individual workers are doing and what team goals must be achieved under traditional project models is particularly glaring when it comes to how group ambitions are determined and measured.

For example, 63% of respondents strongly or somewhat agree that team goals are not measured at all or not measured



**Some 87% of respondents also feel that a product-delivery operating model can greatly address the desire of people entering the workforce to have greater visibility into how their work is contributing to the organization's overall success.**

in effective ways. And the disconnect only grows from there, with 64% agreeing team goals are not tied to larger company goals or don't put customers first (69%). Fifty-seven percent of respondents strongly or somewhat agree that team goals are not even ambitious enough. In every case, the survey results show that these issues are significantly reduced by a product-delivery operating model.

This finding indicates that teams need autonomy in order to move fast, but it also shows that leadership requires visibility to ensure the teams are working on the right things and that the right investments are being made. Respondents overwhelmingly agree (81%) that a product-delivery operating model can provide autonomy for different teams to complete their work without sacrificing visibility into that work.

### **Empowering Team Members**

In addition to allowing a team to make a bigger impact in producing business outcomes, the product-delivery operating model improves how individual team members feel about their personal development and contribution to the organization.

Team members following a product model no longer jump from project to project. As a result, nearly 85% of respondents recognize that the ability to allow team members to develop expertise that benefits the organization is something a product-delivery operating model can allow.

The model also enables workers to think more strategically. Three-fifths (60%) of respondents say that shifting cross-functional teams to a product-delivery operating model allows workers to focus on more strategic efforts.

Because the product model concentrates on outcomes, team members are encouraged to apply greater levels of creativity and problem solving to their work. In speaking about the project model, Hammond cites Daniel Pink's book *Drive*, which determined three characteristics of high-performance teams—autonomy, shared purpose, and shared mastery.

A product-delivery operating model makes it possible for teams to develop that autonomy. If a team has a shared purpose—say, creating the next generation of online digital music—they work together in a collaborative fashion, even if the team members have to work outside their individual comfort zones.

These engaged teams have a high level of plasticity, meaning an ability to learn and apply new skills. For example, if a marketing team's ad campaign is performing poorly on broadcast, they pivot to distribute an edited version on social media. "A culture of mastery allows teams to learn and adapt as needed," Hammond says. "These teams can react to customer feedback, address challenges, and power through the obstacles."

Some 87% of respondents also feel that a product-delivery operating model can greatly address the desire of people entering the workforce to have greater visibility into how their work is contributing to the organization's overall success.



**81%**

**overwhelmingly agree  
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visibility into that work.**



“The product-based model leads to higher levels of engagement, but it also requires higher levels of initial engagement,” says Jeffrey Hammond, a principal analyst for Forrester.

Tucker points to a software developer who, under a project model, would typically be measured by checking code in—meaning one of his or her personal success metrics is completing code, not how that functionality is addressing the needs of the user. This approach can make workers feel disconnected from their company’s mission.

“I’m sure that there are some developers who are happy to wake up, check their code in, and log off for the day,” Tucker says. “But in my experience, that’s the exception, not the rule. Most developers, digital strategists, designers, and product owners who work on these digital transformation engagements are energized by doing work that ties into a mission. If you can see how your work ties into, say, building a digital product that measures the effectiveness of new pharmaceuticals that will save people’s lives, that’s something you go home and tell your family about.”

The product model is intimately tied to steepening levels of employee engagement. “The product-based model leads to higher levels of engagement, but it also requires higher levels of initial engagement,” Hammond says.

## Conclusion

The pace of business—and the sense that disruption is the new normal—is driving companies to adopt digital transformation and a product-delivery operating model, complementary forces that both promote speed and agility.

Deloitte’s Kark notes that the Covid-19 pandemic has also underscored for companies just how much their business models, resources, and budgets must be more based on outcomes, with everyone accountable for and working toward the same goals. Speed is top of mind in any such scenario.

“Covid is going to accelerate this model, because companies realize they need agility in response to rapidly changing market conditions,” he says. “In the past, technology projects took months and years to complete. That doesn’t work in the new norm where technology is more embedded into the fabric of business and agility and nimbleness will drive competitive advantage.”

A product model can help companies in their journey to digital transformation and provide a wide range of benefits for customers, partners, and employees. The model requires companies to deeply consider what they are trying to achieve, and make sure they have the talent and culture to enable teams to work together with a shared purpose and understandable outcome.

“A lot of organizations don’t think about shared measures and how to declare victory,” Hammond says. “You can do a lot of great things, and expend a lot of energy, but if you can’t trace it back to revenues and customer value, what are you really accomplishing?”

The companies that embrace the principles of the product-delivery operating model are providing better customer experiences and enjoying higher levels of continuous growth and profitability. These technologically driven companies have shown that a product mindset can disrupt industries, but Tucker says companies across all industries are learning that this model can be effective beyond these trailblazers. And it is not a methodology that is limited to IT departments—it needs to be embraced by all functions. Just as every company is becoming “a technology company,” every department is becoming digital.

“The product model is not only for Silicon Valley,” Tucker says. “If your goal is to advance your organization’s mission through digital transformation, it’s a struggle to think of anyone who wouldn’t benefit from a product mindset.”

## METHODOLOGY AND PARTICIPANT PROFILE

A total of 132 respondents drawn from the HBR audience of readers (magazine/ newsletter readers, customers, HBR.org users) completed the survey.

### Size of Organization

**48%**  
10,000 or more  
employees

**36%**  
1,000 – 9,999  
employees

**17%**  
500 – 999  
employees

### Seniority

**18%**  
Executive management/  
board members

**58%**  
Senior management

**20%**  
Middle management

**4%**  
Other grades

### Key Industry Sectors

**19%**  
Financial services

**16%**  
Technology

**8%**  
Health care

**8%**  
Manufacturing

**8%**  
Telecommunications

All other sectors less  
than 8% each

### Job Function

**21%**  
General/executive  
management

**13%**  
IT

**13%**  
Sales/business  
development/  
customer service

**11%**  
Consulting

**10%**  
R&D/innovation/  
product development

All other functions less  
than 8% each

### Regions

**32%**  
North America

**25%**  
Europe

**27%**  
Asia Pacific

**7%**  
Middle East/Africa

**8%**  
Latin America

**1%**  
Other

Figures may not add up to 100% due to rounding.



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