

# Salesforce.com, Inc.

## **Cultivating Internal Innovation**

Final Report

Managing in Information-Intensive Companies

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# Executive Summary

## Research question

What is the weak link in Salesforce's innovation process and how can the newly developed program "Innovation Open Market" (IOM) be improved to fix this weak link?

## Problem statement

Idea conversion is the weak link in Salesforce's innovation process. Lacking a structured process, Salesforce struggles to select ideas that have been generated in a bottom-up fashion. A program called "Innovation Open Market", developed to tackle this issue, has faced early setbacks.

## Recommendations

Here are our recommendations for improving Salesforce's innovation processes, specifically with regards to Innovation Open Market.

1. Increase involvement of IOM judges and leaders with participants to strengthen their pitches and clarify expectations
  - Innovation Open Market should be incorporated into the onboarding process.
  - Well-publicized workshops should be set up before the pitch session with CTOs
  - Judges should clearly communicate pitch expectations - e.g. are prototypes required or encouraged?
2. Improve the marketing and visibility of IOM
  - Create an entertaining video with Marc Benioff encouraging IOM participation
  - Post series of marketing articles/videos on Chatter for several weeks/months
  - Get questions/feedback through diverse channels: email, Chatter, offline bulletin board, etc.
3. Provide logistical support for managers affected by IOM, increasing company buy-in
  - Allow staffing budget increase to replace team members lost to IOM initiatives
  - Give affected managers priority in recruitment activities and programs
  - Schedule internal job fair to be timed so as to enable teams to replace lost talent

# Company Background

Salesforce.com, Inc. is an enterprise software company, founded in 1999 by Marc Benioff (CEO), Parker Harris (VP of Technology), Dave Moellenhoff, and Frank Dominguez, offering Customer Relationship Management (CRM) applications via the Internet. Salesforce employs 9,800 people and generated revenues of \$3 billion in the fiscal year 2013<sup>1</sup>, establishing itself as the “leading provider of enterprise cloud computing applications and platforms.”<sup>2</sup>

Salesforce’s product portfolio currently consists of six main products<sup>3</sup>:

- **Sales Cloud**
- **Service Cloud**
- **Marketing Cloud**
- **Salesforce Platform**
- **Salesforce Chatter**
- **Salesforce Work.com**

## Methodology

We spoke to five Salesforce employees and visited Salesforce’s headquarters in San Francisco. After the interviews we asked the interviewees to participate in a short survey.

<b>Interviewee</b>	<b>Title</b>
Chad Labrosse <sup>4</sup>	Senior Software Development Manager
Cheryl Porro	VP of Agility, Innovation, and Culture
Basab Maulik	Senior Software Developer
Anson Chu	Innovation Developer
Hyejin Kim	Interaction Designer

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<sup>1</sup> Salesforce.com Annual Report FY 2013, <http://www.sfdcstatic.com/assets/pdf/investors/AnnualReport.pdf>

<sup>2</sup> Salesforce.com Annual Report FY 2013

<sup>3</sup> <http://www.salesforce.com/products/>

<sup>4</sup> Primary company contact, participant in multiple interviews

# The Innovation Value Chain

Named the world's "most innovative company" by Forbes in 2011 and 2012<sup>5</sup>, Salesforce has a strong track record in bringing new products to the market. An example is "Chatter", a Facebook-like communication platform that is built to enhance collaboration. Chatter serves as a characteristic example of the innovation culture at Salesforce. According to Salesforce VP of Agility, Innovation and Culture Cheryl Porro, "big ideas tend to come from the top - Chatter being one example."

In order to identify the weak link in Salesforce's innovation process, we explored the conditions that led Porro and her team to create Innovation Open Market (IOM), a program launched in 2013 to improve the company's innovation culture. We applied the Innovation Value Chain framework, developed by Hansen and Birkinshaw<sup>6</sup>, to help us understand the strengths and flaws of the company's innovation culture, both before IOM and since its implementation.

## Idea Generation

Interviewees made it clear that Salesforce has a large pool of ideas from which it can draw. Those ideas have traditionally come from a variety of sources such as hack days, design competitions, and company retreats. External sourcing of ideas is also popular: According to Benioff, "ideas often came from the outside - customers, partners, the marketplace."<sup>7</sup> Salesforce also regularly invites startups to build new applications on their platform, leveraging the innovative minds of people outside the company<sup>8</sup>. Through these outlets and others, employees have been so innovation-focused that many ideas pile up and are relegated to the back burner. This was the opinion of both junior employees and leaders: Cheryl Porro quoted VP of Technology Parker Harris as having said that "there are actually too many ideas floating around."

## Idea Conversion

Salesforce has an overflow of ideas, leaving managers without a strong process for surfacing big innovation. We have found that conversion, and more specifically, selection, is the weak link in

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<sup>5</sup> <http://www.forbes.com/special-features/innovative-companies-list.html>

<sup>6</sup> Hansen, M.T., Birkinshaw, J. (2007): *The Innovation Value Chain*, in: Harvard Business Review

<sup>7</sup> <http://www.forbes.com/sites/victoriabarret/2012/09/05/why-salesforce-com-ranks-1-on-forbes-most-innovative-list/>

<sup>8</sup> <http://finance.yahoo.com/news/salesforce-com-announces-euro-5-070000893.html>

Salesforce's innovation value chain. When there is a backlog of ideas and incremental tasks, most will fall into what Senior Software Development Manager Chad Labrosse describes as "below-the-line" ideas. We knew they existed but we had no idea of what to do next with them". In the prevailing culture at Salesforce, new projects and tasks are selected based primarily on client needs and unit goals. These priorities, which are often incremental in nature, make it difficult for company leaders to assess new, broad idea proposals, or for designers and engineers to work on aspects of projects that are more "outside the box."

*"We just don't have time to analyze all those upcoming ideas. We need to get our work done before the end of the release cycle" - Chad Labrosse, Sr. Software Dev. Mgr.*

*"In my team, if a new idea for a product or feature cannot be developed in one release cycle, it's not going to happen. We are quite bureaucratic about this." - Hyejin Kim, Interaction Designer*

The issues with conversion appear to often be driven by logistics and workload. Designer Hyejin Kim noted that her small team size has warranted a mentality of "just getting work done," since implementing new ideas or features generally requires heavy investments of time and energy by team members. This means that any substantial change typically requires buy-in from a whole team if it is to succeed. Kim also suggested that her team rarely has the bandwidth or the process to support a project beyond a single release cycle. In such a situation, new ideas will naturally be more incremental.

Relatedly, one interviewee reported that politics "play a big role in idea selection." Priorities often differ among development, product and design managers, and often the success of an idea depends on its champion's ability to negotiate and push the idea through the proper channels.

## **Idea Diffusion**

In leading a strong top-down culture at Salesforce, Marc Benioff is capable of mandating diffusion and adoption within the company without a lot of resistance. According to Porro, Salesforce is generally excellent at spreading ideas through the company once they have buy-in from company leaders. The problem, instead, has been the process of getting ideas to that point.

# Innovation Open Market

Through our discussions with several employees, it became apparent that, despite being an incredibly innovative company, Salesforce contains political, structural, and logistical problems that have interfered with its internal innovation process. Innovation Open Market was launched in early 2013 to address these issues.

IOM has several goals:

- To increase employee engagement by giving them the chance to pursue their own ideas
- To improve Salesforce's bottom-up innovation culture
- To make Salesforce better at managing innovation, including knowing how to "kill things well" by continuously reviewing progress
- To make Salesforce a better and more fun place at which to work

In many ways, IOM functions very similarly to a venture capital session. The IOM process involves these steps:

1. An employee comes up with an idea
2. She recruits colleagues and forms a team
3. She pitches to the CTO panel
4. If chosen, projects receive funding
5. Projects are re-evaluated after each release cycle
6. If successful, a project will get assimilated into an existing business unit or "cloud."

In terms of the Innovation Value Chain, IOM does succeed in many regards. It reduces the amount of political resistance we described in pushing forward ideas, because IOM does not permit managers to prevent their team members from participating. Top level managers are invested in the process: they help select the ideas through the judging process and provide necessary feedback. Projects are funded for a full release cycle and require committed members such that the product actually gets built. The evaluation cycle provides feedback and allows managers to assess potential and future integrations.

While we can see how IOM is designed to improve innovation, we can look to our survey results shown in the figure below for quantified data. While slightly improving the idea generation phase, IOM showed the biggest impact in the idea conversion phase. To compare both surveys

we must pay attention to the fact that the questions of the pre-IOM survey are formulated negatively (need to deduct score from 7 to ensure comparability), leading to the following scores:

	<b>Pre-IOM</b>	<b>With IOM</b>	<b>Difference</b>
<b>Idea Generation</b>	7-2.8= <b>4.2</b>	4.7	+0.5
<b>Idea Conversion</b>	7-4= <b>3</b>	4.4	+1.4
<b>Idea Diffusion</b>	7-2.3= <b>4.7</b>	4.5	-0.2

Our survey results, which can be seen in detail in this paper’s Appendix, suggest that IOM is a positive step towards mending Salesforce’s weakest links in the Innovation Value Chain. However, without IOM being accepted and used throughout Salesforce, the program is not likely to have a great effect. Our interviews revealed some major barriers that cause the diffusion of Innovation Open Market to stagnate.

### **Problem 1 - Low employee awareness**

Some of our interviewees suggested that not many employees actually know IOM or understand what it is about. One interviewee reported that team members have never heard about IOM, and that they don’t see the difference between IOM and existing idea-generation programs like Hack Days. Another interviewee admitted that he missed the first info session about IOM as it was scheduled in busy “release freeze” period, when nearly every technical employee faces a heavy workload.

### **Problem 2 - Poor communication between IOM leaders and participants**

Due to the low awareness of Innovation Open Market, the purpose and process has been poorly communicated to employees. Senior Software Developer Basab Maulik, who missed the introductory session but participated in IOM, went into a pitch session with the CTOs with little more than a presentation; he left feeling that the judges had been looking for more substantial preparation and even expecting a functional prototype. While some guidelines were made available on the internal Chatter network, most participants missed them, resulting in under-preparedness at the pitch session.

### **Problem 3 - IOM needs more clarity in its mission and supporting structure**

The first accepted project for IOM was described as an incremental innovation; it was not the pivotal kind of innovation that Salesforce was hoping to generate from the bottom-up. Part of the problem is that the mission of Innovation Open Market is a little bit muddled. While they aren't excluding incremental improvements or ideas that fall *below-the-line*, if the expectations are for bigger ideas, there needs to be time and financial incentive to develop such ideas and gain traction within teams.

### **Problem 4 - Conflicting priorities**

A lack of mission clarity directly impacts incentives and priorities of engineers. Employees are expected to secure commitment from coworkers, and potentially develop a prototype, but the company is not providing the needed time to do so. The frequency of hack days and the amount of "paid time-on" (Salesforce's one-day-a-month allowance for personal projects) remains the same, but the demand to generate innovation outside of existing job responsibilities has increased. Hyejin Kim commented that while the company provides plenty of opportunities to be innovative, there simply are too many responsibilities and other pressing commitments that take precedence over being creative.

## **Recommendations**

### **Raise awareness**

In Salesforce's traditional innovation culture (pre IOM), people expect change to be triggered from top management, thus for the new innovation culture to be heard, top management needs to set the stage. We recommend to shoot a video, starring Marc Benioff and Basab Maulik. Mr. Benioff should elaborate on the need for IOM and how it is intended to shape innovation at Salesforce. Mr. Maulik should share his personal experience and opinion about IOM and point of the benefits for participants. The video should be circulated among Chatter and in the company's newsletter. Furthermore, we recommend to honor IOM participants and winners at the annual Christmas party by mentioning their names, inviting them up on the stage and handing over a gift certificate. By showing appreciation for their work regardless of winning in the process, we underline the importance of IOM to a broad audience and make it a topic, people talk about.



## **Create more touch points between participants and IOM judges**

In the current IOM process, teams only see IOM judges at the end of the process, ie during the final pitches. In order to prepare IOM participants for their final presentation better, we recommend to foster communication between teams and IOM leaders as well as experts. First, we recommend to require teams to submit a one-page summary of their idea at the beginning of the process. IOM leaders reviewing these summaries can then decide to assign experts/ IOM judges to teams who will provide mentoring. Given the time-constraints, this mentoring will consist of at least one in-person meeting midway through the process. Connecting the teams to experts, asking critical questions, challenging teams to dig deeper into certain parts of their idea or providing clarification concerning content requirements, these mentoring meetings will help teams to raise the quality of their final pitch. Additionally, we recommend to require teams to build a prototype (low or high fidelity) in order to ease the communication with the audience at the final pitch.

## **Assist managers to increase buy-in**

Many managers are hesitant to encourage their team members to participate in IOM because of heavy workloads and higher priorities. As a result, engineers, designers, and other staff are hesitant to sign on as well. With greater support for managers in the logistical areas of staffing and team coordination, the program will likely see increased buy-in on the part of all involved. The pool and talent level of potential participants will potentially grow, and the quality of the ideas proposed will increase.

We recommend that Salesforce prioritize the needs of managers who lose team members due to IOM in subsequent budgeting and staffing cycles; this can possibly be done by increasing budgeting allowances (more money to spend to replace talent). Also, affected managers should be allowed to advertise their projects in the internal job fairs with more prominent placement. The managers should also be allowed to advertise open positions in a newsletter, and perhaps get a prime booth location at the internal job fair (which will be scheduled after IOM has finished).

## **Conclusion**

The innovative ideas that come out of Salesforce have been heralded by the international business community as tremendously successful. An outside observer likely wouldn't consider

that structural and political forces at Salesforce would pose a challenge to its ability to generate bottom-up ideas. However, as we have learned from our discussions with employees, and from survey results, the company has operated with an ineffective idea conversion process that has hindered its effectiveness in cultivating innovation. With the Innovation Open Market program, company leaders are hoping to instill greater motivation and embrace inventive spirit - this will allow them to improve the company culture while eliciting new ideas to improve the company's offerings. By addressing the concerns with communication, awareness, and logistical support that have thus far limited the success of the young program, Salesforce leaders have the opportunity to develop IOM into an infrastructure that will further empower the company to be a leader in innovation.

# Appendix

## Project Details

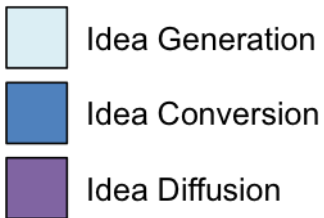
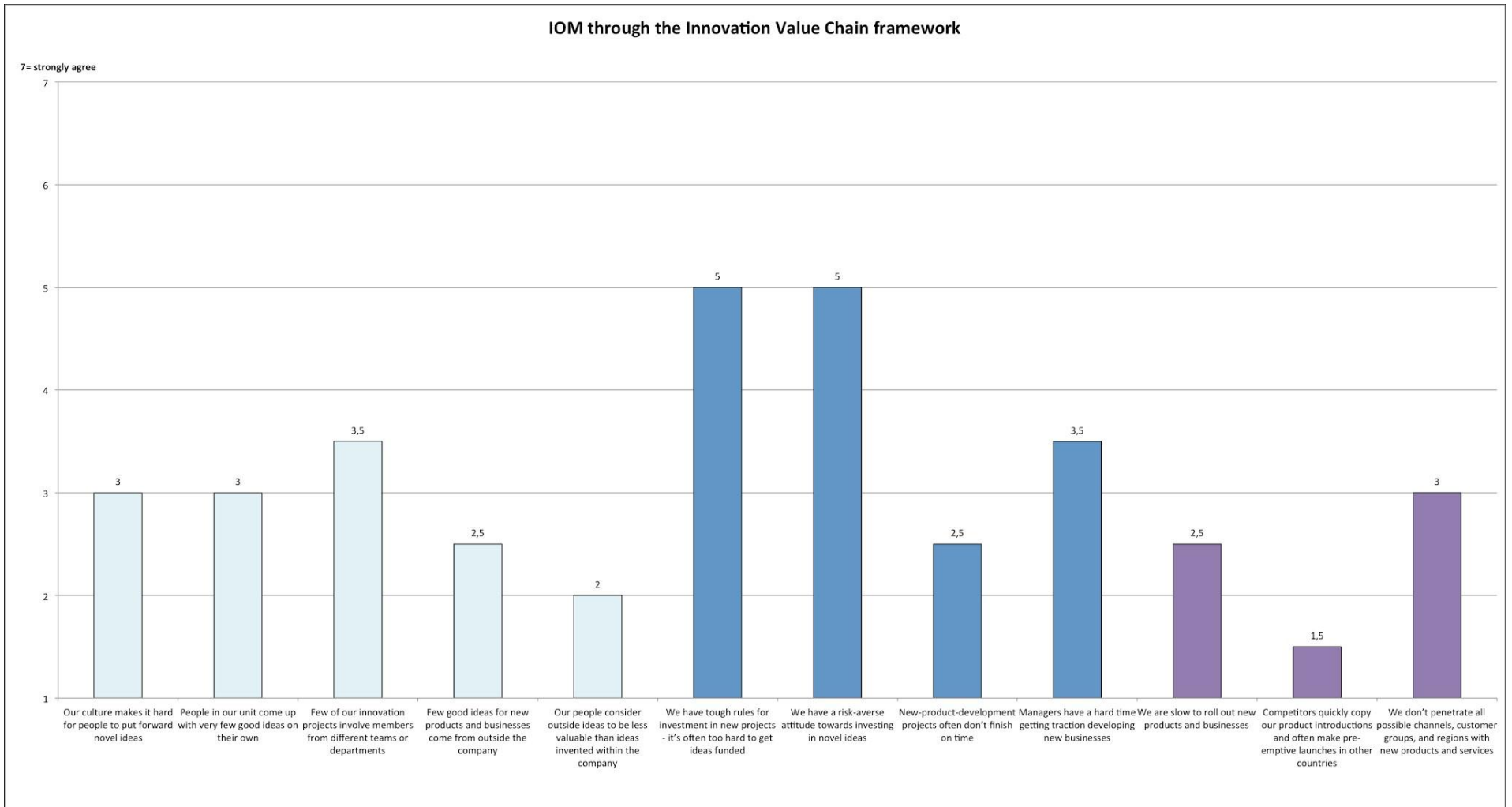
### Interviewees

- Chad Labrosse | Senior Software Development Manager | Multiple interviews in April 2013
- Cheryl Porro | Vice President of Agility, Innovation, and Culture | 04/19/2013
- Basab Maulik | Senior Software Developer | 04/19/2013
- Hyejin Kim | Interaction Designer | 04/22/2013
- Anson Chu | Innovation Developer | 04/19/2013

### Web Resources

- <http://www.slideshare.net/cfry/opportunity-open-market>
- <http://blogs.developerforce.com/engineering/2013/03/opportunity-open-market-helps-you-find-your-dream-scrum-team.html>
- <http://blogs.salesforce.com/company/2013/02/ways-to-harness-innovation.html>
- <http://www.slideshare.net/cfry/innovationsalesforce>
- <http://www.forbes.com/sites/victoriabarret/2012/09/05/why-salesforce-com-ranks-1-on-forbes-most-innovative-list/>

# Exhibit 1: Survey results: Innovation at Salesforce before IOM implementation (pre-2013)



## Exhibit 2: Survey results: Innovation at Salesforce since IOM implementation (2013)

