

Strategy & Corporate Finance Practice

The committed innovator: An interview with Salesforce's Simon Mulcahy

The cloud software provider's executive vice president and chief innovation officer discusses how Salesforce's innovation process creates distinctive buying experiences.



Sean Brown: From McKinsey's Strategy and Corporate Finance Practice, I'm Sean Brown, and welcome to *Inside the Strategy Room*. We're excited to share today the fourth episode in our ongoing series on innovation, where we speak with leading innovators across a range of industries. To date the series has featured interviews with the former vice chair of GE, Beth Comstock, Canadian entrepreneur, investor, and star of TV's Shark Tank, Kevin O'Leary, and Nigel Hughes, who leads innovation and research and development at Kellogg Company. Today, Erik Roth, who heads up our innovation work globally, talks with Simon Mulcahy of Salesforce.com about how the COVID-19 crisis has reshaped the sales function and how Salesforce fosters and drives innovation inside the company and with customers. We hope you enjoy the discussion. Erik, over to you.

Erik Roth: Thank you very much, Sean. Today we're inviting everyone for yet another session of our podcast series called "The Committed Innovator." We're talking to innovators and executives across the world and industries, who've all been there and done it when it comes to the topic of innovation. We want to explore the challenges. We want to hear their stories. And we want to hear how they have solved this problem that so many of us face, which is getting successful innovation out the door and to scale to really create meaningful change. So today, I am really, really pleased to welcome Simon Mulcahy. He's the Chief Innovation Officer of Salesforce.com. He's been with Salesforce for over 12 years. And prior to that his work included stints at the World Economic Forum and even a long career with the British Army. So Simon, it is an amazing pleasure to welcome you today. And what a terrific topic to be talking about, given the challenges that we're all facing around the world when it comes to how we think about our organizations and how they innovate for the future.

Simon Mulcahy: Erik, thank you very much and I'm delighted to be with you, at least virtually.

Erik Roth: One of the questions that executives are frequently asking is given the pandemic, what does the sales force of the future really look like? You know, we're all in our homes zooming all around the world without wings, digitally and sales are happening, but mostly virtually.

Simon Mulcahy: It's actually a great question because on the surface of it, a lot has actually changed. COVID at least in the world of B2B, COVID has really killed travel. Every engagement is digital. Now it's kind of frankly all inside sales. And you can kind of therefore make a fairly strong argument that field sales is dead. Certainly, the road warrior is having rather a quiet time. And a big part of it, I think, is that you can kind of bring the "A team" to any or every call, before you couldn't because they were all travelling—their time was limited. But now every meeting that you need the "A team" on, they're there.

Erik Roth: So in a world where you can have the best sales call every single time, what do you think that does to how companies are thinking about—you must have these conversations all the time—how they're thinking about innovating their sales force?

Simon Mulcahy: Well, it's almost first like everybody's now in sales. And you need everybody to be a better salesperson. And that means that certainly in a world that's digital, you need better technology at everybody's fingertips. And salespeople need to be much better at orchestrating the full power of the organization to where it needs to be. You need better questioning skills, listening skills, just even that that first interaction needs to be fundamentally better. You do need to get the basics right. It needs to be a live account plan across the company. But ultimately, you still need that steward who's going to be orchestrating the full power of the company towards that account as and when it's needed.

Erik Roth: So Simon, if I'm a CEO, and I'm realizing that my sales teams are now basically digital,

and previously, I believe that being in person, creating the relationships, all of these things that I may have thought were important are no longer happening, how should I as that CEO thinking about reconceptualizing, or innovating my sales teams think about what the future should look like?

Simon Mulcahy: It's not like the future suddenly appeared in our laps as a result of COVID. I think a lot of organizations have already been proving out best practices that are significantly more digital already. The most effective sales organizations and the ones that are doing incredibly well now, see their salespeople not as that person who does the selling, but rather one important high-touch orchestrator of the full power of the company, towards the customer. That person is kind of like the quarterback in that sense. And that person needs to be augmented like never before. That person needs to have the full support of the marketing organization, the service organization, the product organization. They need to be able to effectively invoke the best efforts from those organizations to support their customers' needs as they go through the sales cycle.

Erik Roth: So can companies reinvent themselves from the sales force back? Maybe even thinking about the salesperson as a different person than they are today?

Simon Mulcahy: Absolutely. And it starts first with just making sure that not just the salesperson but the whole company has the right tools. Can everybody see a single view of the customer? And then how do you enable the salesperson to be able to kind of wave a flag saying, hey, I need help over here now, and the right people flow towards that person. And then over and above that there's also a lot of culture and a lot of collaboration that you need to instill in your whole organization. Salespeople themselves are developing new skills.

Erik Roth: Well, that was actually where I was going to go next, which is what does the new salesperson look like? I can also imagine, given all the collaboration with digital tools you're describing that

the ability to synthesize information and activate it could be a really, really important skill set that may not be resident in every salesperson today.

Simon Mulcahy: It's such a great point. The killer salesperson of today and certainly tomorrow, asks really powerful questions, is a really great listener first and foremost. And then after that is a great storyteller. And the reason for that is that what's being sold is also changing. If you go back even before COVID there was a trend that every industry has been just getting closer and closer to the customer. You know, banking, moving towards AI, enhanced automated financial coach or healthcare moving towards helping you solve your long-term health issues or car companies moving towards mobility services. This is not just, you know, selling widgets anymore, But I think if you're just thinking about it as a salesperson you're missing half the picture. In the past, you'd look at the world through the lens of I got this great product. Now I need to create an amazing distribution engine to sell it. The best way of thinking about it is actually to flip the binoculars. How do you create amazing buying experiences? And you need amazing salespeople to do that, and they need to be augmented. But you also need to be able to channel the full power of your whole organization to those selling moments.

Erik Roth: You know, so often when we're doing innovation-related work to transform an organization or a company, oftentimes, the innovation processes are really front end of the funnel—it's the ideation, the concept selection, the test and learn and development and then oh, let's throw it over the fence to marketing to do the marketing plan and make sure to commercialize itself at a scale that we like. But given what you just said, I can imagine particularly in a future world where there's collaboration and digital tools, we need to flip that model on its head. How do you see, based on your experience, getting that customer right in front of that innovation process to shape the best possible value propositions with the best possible buying experiences?

Simon Mulcahy: One of the challenges is that people think that innovation is limited to the product development. Think of innovation actually as starting much, much, much earlier. And it starts with almost going right upstream to the customer's need. Do you understand who the customer is? Have you segmented the customer to really, really understand who they are, what their needs are, and how you as a company can solve it with your products? But also create a buying experience that makes it as easy as possible for them to get their job done by you. Which might include your products, but it might also include your services and even the relationships that you have with other ecosystem players. So then you start to redesign kind of everything from that point of view. And your product is just one part of the whole system that you're innovating. And the best companies are doing that, and that's what's so exciting in every industry.

Erik Roth: Maybe everyone just needs to do a digital transformation. Is that what you're seeing from your vantage point?

Simon Mulcahy: Well, let me say kind of, yes. But every time I hear the words, it's all about digital transformation, I kind of, my first reaction is to raise my eyes to the heavens, oh we've got another one. And the reason for that is that when people hear or say, even the words digital transformation, what that means is, let's put some really powerful technology over this and it'll be suddenly much more powerful, it'll be transformed. And what they're really doing is they're pouring new technology over old thinking and expecting transformation to happen. It doesn't. You've really got to go back to how can you serve the customer's need? And just digitizing an analogue that was maybe conceived decades ago is not transformation. That's just making something more electronic.

Erik Roth: Really understanding what's the frame of reference, and perhaps reframing the problem. Really understanding the job to be done and the

valuable problems to solve. Really testing and learning what works and what doesn't and in a new world of working differently, these are powerful tools that have to accompany a transformation especially or even when you're doing it through technology.

Simon Mulcahy: Yeah. So with Salesforce, we have these, what we call the four disciplines. They're four muscles that most organizations haven't actually exercised that well. So step one, your customer-centric business processes, how do you create an incredibly amazing buying experience? And that needs design thinking, that means going back and deeply understanding the customer's need, and then thinking how you can design a system to deliver the full power of your organization to solve that problem. But then the second thing is, how do you get one team aligned around the customer? Because whatever system you've just designed, whatever experience, it's likely to require more than one team to collaborate. And how do you make it easy for those teams? And once you've done that big high five, how do you leverage that technology, and use the leanest possible technology stack to kind of really drive that. So you can create hi-tech, high-touch experiences. And there's a lot that needs to change there, irrespective of becoming a digital company. And maybe if you've done that you've got these incredible experiences. You can activate your full organization to deliver on them, leveraging the best technology for a second, you might hear angels singing. But then the market changes. And the fourth thing is, how do you have a mechanism to sense and respond to change to experiment so that you're constantly evolving at the pace of change of the market?

Erik Roth: Given the four principles, you just said, how did Salesforce.com actually ensure that they happen at scale throughout the organization? Or do you keep innovation perhaps in one part of an organization?

Simon Mulcahy: We do not do that. Innovation's one of our core values. Trust, customer success, innovation, and equality are four core values as a company so everybody in the company focuses on innovation. The customer is the primary source of innovation for us. Product organization has a key part play our sales organization on Marketo. And everybody is involved in innovating. Because every single touch point needs to be constantly thinking, what can I do better? And not just individually, but there's a system together.

Erik Roth: And do you have any mechanisms or processes in place that ensure the best ideas across Salesforce.com come and get resourced? Or is it very organic and bubble up? What's the mix of top-down versus bottom-up initiatives?

Simon Mulcahy: There is an enormous amount of experimentation going on. But it would be a disaster if we didn't have very, very careful prioritization and the ability to align everybody in the company to a clear, universally understood true north, and we have a mechanism for that which is incredibly powerful. It's like kind of one of our secret sauces. We call it "V2 mom." And what this stands for is vision, values, methods, obstacles, measures, what's our vision? What are we really, really looking to achieve values? What's important to us? Methods? What are we trying to do? How are we going to do it? Obstacles? What will prevent us and measures? How will we know when we've achieved it? That is a cascading model that starts at the CEO and goes down. Everybody in the company has a "V2 mom," that's all aligned to the CEO's "V2 mom."

Erik Roth: So you actually have this almost tree-like structure of nested objectives and goals throughout all of Salesforce.com to ensure alignment, but also make sure that the right resources are being allocated against the right priorities.

Simon Mulcahy: Exactly. If something's on the "V2 Mom," it gets funded. If something's not on the "V2 mom," it doesn't get funded. It's as simple as that.

Erik Roth: And how do you make those choices? Those are always tough decisions for most organizations.

Simon Mulcahy: So we're a very open and transparent organization. So we meet twice a year as a leadership team and review the "V2 mom," and it's written very collaboratively. And then actually what we do is we have a session where we open it up to the whole company, and we collect feedback from everybody in the company. And it's only after that, that the "V2 mom" is then finalized, decisions made, and that's what we all align to. And we execute and then we review, and if there are any changes, that gets cascaded down. But the beauty of that is everybody knows what true north is. And everybody knows their job in relation to their organizations and the managers above them.

Erik Roth: That system that you just described, the "V2 mom," is awesome. And I can imagine that you know, the power of that alignment and resource allocation clarity is an amazing innovation engine for the organization. But given that we're now in this COVID pandemic crisis, and there's dynamic changes around end markets for almost every company, whether it be the system that Salesforce.com has in place or you know, other companies who have their own versions of that, what are you hearing, what advice can you give them as to how they start to imagine what their innovation agenda, the growth agenda, should really look like given all these changes and how they need to interpret them?

Simon Mulcahy: So the first thing we saw when COVID happened was everybody went into this state of shock almost. And the first thing was just helping organizations stabilize, just steady the ship, make sure that their employees were safe, and then effectively get back in touch with their customers, and create some degree of normality out of crisis. But once that was over, what we were expecting was the universe to slow down. But it's interesting. I don't know if you've heard of this British economist called Joseph Overton, and he came up with this economic kind of concept called the Overton window. And

what that is, is effectively, a window that it's either open or close. If it's closed, it means that anybody is really antichange. And if it's open, then they'll embrace change. And typically, you know, when you've got war or pandemic, those people are very, very open to change. And we're seeing that. We're seeing that, that CEOs are being really ambitious in putting together plans to not just ride out the storm, but actually look at how they're going to emerge from this stronger, better, more competitive. In many cases, what the crisis has done is not create a brand-new paradigm. It's actually accelerating a number of secular trends that are already happening. And, and that creates some really, really interesting conversations. And, of course, the first step in all of that is, are you able to engage with your customers in the way that they want to, which is digital?

Erik Roth: Would you say that every company has to be digital in the future of their customer interactions, otherwise, they're just going to be out of the game?

Simon Mulcahy: Yeah, I do. We're even dealing with farming companies. I'm not kidding you, we're dealing with farming organizations, who are fundamentally digitizing and even putting trackers on their cows. But the whole point is that every organization is going to leverage digital. You need information faster; you need to be able to service your customers in a way that you've never been able to.

Erik Roth: So in this capex- and opex-constrained world, how does the executive team lean forward to recognize that some of the things you're talking about now is the time?

Simon Mulcahy: I think it starts with actually acknowledging one thing—many executives are not digitally savvy. They haven't focused on it. They focused on understanding their core business, which they're now masters. But in order for them to really lead their organization through this, they've got to almost go back to school. We're seeing CEOs who are appointing millennials, kind of as “antiboards” or digital boards to advise the more elderly board members. We're seeing whole

organizations take digital education much, much more seriously. And until everybody on the board understands what an API is, there's a lot more work to be done.

Erik Roth: You know, one of the questions we get all the time is, “Should I just take a part of my organization and carve it out, put it over here and let them focus on the future? And then you know, maybe if that's successful, that'll take over my legacy organization someday.” Is that advice that you would give to companies you talk to?

Simon Mulcahy: I love this question, we certainly see a lot of CEOs who think, okay, I've got two levers to pull here. One is, I'm going to renovate my organization, I'm going to drive cost out, I'm going to make things—my core that I've been, you know, building over decades—cheaper, faster, and better. And that's going to free up time and resources that I need to use to build alongside my existing business, the future of my business. And I think that's a really bad model, because it's hard to port your employees, your culture, your systems over to this new organization into a new way of thinking a transcendent model, while at the same time beating everybody up day by day to go cheaper, faster, better. What we really advise our customers on is evolve. Move from being product centric to being customer centric. Bring your whole organization along, get everybody aligned on a single goal, which is this evolution from the past to the future. And that's much easier to achieve, then focus on your business processes, then think about how your team collaborates. Then think about the technology you need to serve that. And finally, think about how you're constantly listening and sensing and responding.

Erik Roth: So Simon, given not just that, you know, we're dealing with a pandemic, but also a lot of social issues as well, what is the role of business in society based on what's going on today in the world?

Simon Mulcahy: Well, we really believe that business is the greatest platform for change. In fact, it's been amazing how many leaders have really

maintained their energy around this conversation around what they can do to serve society. And we've seen so many businesses really lean in and be focused on sustainability, giving back to the community. We're definitely one of those organizations, we feel very, very strongly about that. It's really about mobilizing the whole workforce. And for us, that meant our product organization pivoted to focus on building products that were serving society and even providing them for free. But then it goes beyond that to how you demonstrate empathy for your community. Each Salesforce office in each region that it operates, how could that team identify and serve local needs, invest in the community and give back locally as best it could? And that could be through volunteerism though that's a bit hard in COVID, but certainly grants and donations. I think it's also not losing sight of the fact that we are really struggling as a world, the SDGs what we need to do in order to make our planet habitable. We are losing that battle right now. We're slipping actually. So, we've got to as a world and certainly Salesforce believes this and is doing it focuses on doubling down on sustainability.

Erik Roth: So a question when it comes to social injustices, which is obviously a very important topic these days. So one of the things that's come up is that technology both has tremendous advantages, but some potential real dangers, whether it be algorithms that are, you know, accidentally prioritize certain things or other things, your accessibility technology is uneven or what is the role and technology, Salesforce, you obviously sit in the middle of so many different organizations? How are you thinking about these things? Because this is in some ways, it's a sort of a society, business, and society question, but it's also an innovation question as to, as you innovate, how do you make sure that the products, services, and experiences that you create, adhere to the broader mission or purpose that your company is trying to aspire to?

Simon Mulcahy: Certainly, our fourth value is equality, so that that's pervasive in how we think about this. AI is a very, very important component of our roadmap, moving forward, and is infused into

many experiences that we deliver today. AI resides on data, but that data has been pulled from a society that's not necessarily equal, that data reflects inequality. And so if you apply AI on to bad data, data that reflects inequality, you're going to get more inequality coming out of it. So a large part of our focus is on being very, very conscious of that and working to fix that. But that I think, is probably the biggest challenge area.

Erik Roth: So that's almost a warning for all companies, right? To be thoughtful about the deployment of technology and what's the foundation from which it sits on. Because as you said, whether it be legacy successes or legacy exposure to certain populations, or whatever the history of an organization is, if you take that technology and slap it on top of whatever the ways they work today are, you're just digitizing history. And I think your point which is an important one is our times give you an almost a mandate or every organization have the mandate to rethink and reframe how they want to work going forward, in order to make sure they're correcting perhaps for some of these inequalities and injustices.

Simon Mulcahy: Exactly. Completely agree. It starts with redesigning, and not just reinforcing existing inequalities, but redesigning for a world that is fairer, more equal. And that's what needs to be done first. The technology will reinforce that, but it's the redesign that needs to happen before you start throwing the technology around.

Erik Roth: So it's almost like the technology is not the solution, it's the mindsets and behaviors first, then get the technology to reflect a true north as you said, that captures a lot of these things and then you should be on a much, much better trajectory and, and bring your organization along.

Simon Mulcahy: Absolutely. It's just not a revolution of purely digitizing our universe. This is a, this is an opportunity for all of us to pause, really, really think through. What is it we're trying to do? Who we trying to serve? And how can we design the best system that can achieve that? And that should solve

for the job to be done at the end customer. But it should also solve for a society that should be fairer and more equal, and also a planet that desperately needs us to change what we do and how we do it.

Erik Roth: That's a pretty powerful recommendation for lots of executives. Let me thank you so, so much for your commentary, your insights, and your stories. I hope that all of our listeners enjoyed it as much as I did, and really, really appreciate your time.

Simon Mulcahy: Thank you, again.

Sean Brown: Many thanks to Erik and Simon. A transcript of this conversation will soon be made

available on the Strategy and Corporate Finance Practice site on McKinsey.com, where you may also find links to our previous episodes. If you have some feedback or an idea for a future episode, please email us at insidethestrategyroom@mckinsey.com. If you would like to be alerted to our new knowledge, you can sign up at the bottom of each page of the Strategy and Corporate section of McKinsey.com. You can also follow us on Twitter at @McKStrategy, and connect with us on LinkedIn by entering McKinsey Strategy and Corporate Finance in the search bar to visit our practice page. Thanks again for listening, and we look forward to having you join us again soon *Inside the Strategy Room*.

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