

Every company is a software company

Conference presentation

March 2025



Nearly 70% of the top economic performers, are using their own software to differentiate themselves from their competitors

McKinsey Global Digital Survey, 2022

What value can software create for your company?

Market performance



7-11x

Valuation multiples vs.
HW

Operational KPIs



~5-10%

Increase in revenue
CAGR

Product delivery & quality



~15%

Reduction in
time-to-market



~5-10%

Increase in EV



~5-15%

Operating Margin
expansion



~20%

Reduction in severe
bugs

**But transitioning
to software is not
easy...**

**often companies
get basics wrong**



Lack of clarity on strategy and investment allocation



Limited product leadership



Inability to retain / attract digital capability and talent



Highly fragmented portfolios



SW org acting like a HW company



Challenges in effectively selling software



Existing product data unusable for digital products

There are **6 principles** to consider to build a world-class software capability

1

**Transform to
product &
platform
operating model**

2

**Invest in
empowered
product
managers**

3

**Win at software
by playing the
ecosystem game**

4

**Drive engineering
excellence through
autonomous teams
& a flexible
architecture**

5

**Commit to
software culture,
find & retain
software talent**

6

**Build a specific
software
go-to-market
capability**

1. Hallmarks of a Product and Platform operating model

Non-exhaustive



Product and Platform Orientation

Structure



O1 Product and Platform taxonomy

O2 Spans and layers

O3 Role ratios

O4 Location strategy

Strategy and Governance



S1 Portfolio planning

S2 OKR setting / Quarterly Business Review (QBR)

S3 Funding / budgeting

S4 Accountability and performance management

Ways of Working



W1 Cross-product dependency management

W2 RACI and interaction model across PDLC

W3 Artefacts across PDLC

W4 Next-gen Product Management and Engineering practices

Culture and Talent Management



C1 Culture change

C2 Talent management

Tooling



T1 Planning and collaboration tools

T2 Developer tooling

T3 DevSecOps tooling



Upskilling / Capability Building

1. Software companies that have successfully adapted to this model invest more early in the product lifecycle (PDLC)

Product development headcount (%) in Tech vs. other industries

Product lifecycle stage	Description	Diff with non-software
Emerging	Newly introduced products	+18%
Expanding	Products growing rapidly in growing markets	+13%
Maturing	Steady-state products with moderate growth	-12%
Decelerating	Declining products that are close to end of life	-30%

Software companies focus spending on growing products, while others lag in bringing innovations to market leading to higher revenue

Source: McKinsey Capital allocation survey 2024; N=167

2. A successful transition to software also requires PMs with the right capabilities, enabled by the right operating model



Customer experience grounding

Ability to design customer-centric experiences throughout the customer decision journey



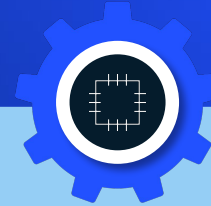
Market orientation

Ability to deeply understand market trends, partner ecosystems, and competitive strategies



Business acumen

Comfort with business strategy, portfolio prioritization, go-to-market, pricing, and tracking key performance indicator and financial metrics



Technical skills

Ability to go deep on technology trends, architectural questions, stack control points, road maps, and managing the development life cycle



Leadership skills

Ability to lead teams, communicate with diverse groups, and influence change throughout the organization



Operating Model

Key enablers in the operating model that enable high performance (e.g., talent management, org & governance, review processes, data/tools)

2. Software-native PMs today outperform non-software-native PMs on all dimensions

XX Difference in scores

Software
(N=71)

Non-software
(N=277)



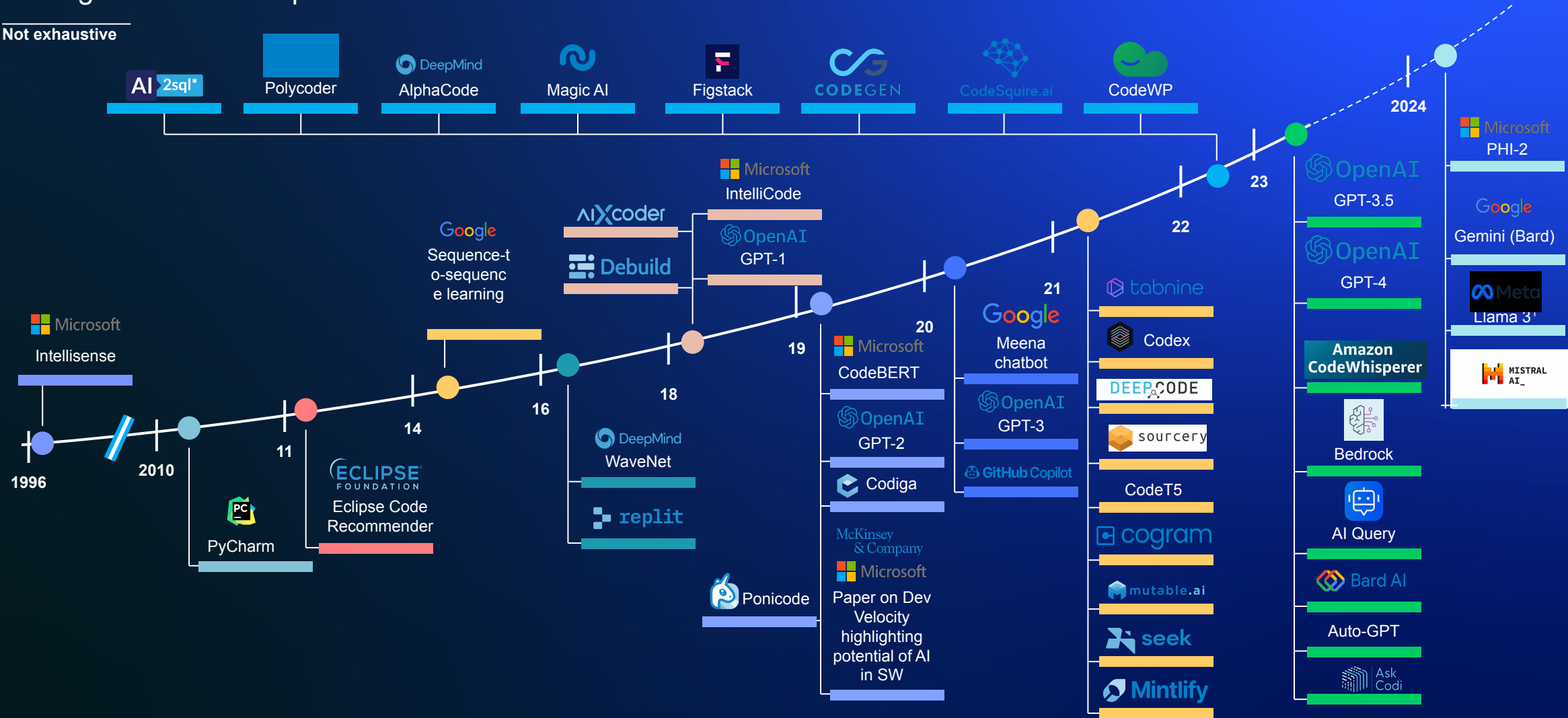
Top 2 differentiators for software PMs

- Interaction with customers
- Focus on ease of access for 1st time users
- Industry and competitive trends analysis
- Competitor product use for comparison
- Capability to articulate product vision and strategy internally
- Feature definitions include goals and expected outcomes
- PMs feel empowered to drive alignment and decision-making
- Approach for resolving conflict across functions
- Comfort with Agile
- Ownership of functional requirements writing
- Decision-making authority and accountability for critical product decisions
- Tools and data that PMs have access to

3. Software development ecosystem that leverage GenAI have evolved exponentially since 2016

Code generation example

Not exhaustive



Source: Press search

1. Anticipated releases for 2024

3. Two major tailwinds are democratizing SW development & changing the way companies can tap into developer ecosystems

1 Open-source development

- Accelerates innovation
- Lowers cost, minimizing license needs & expenses
- Cultivates talent through hands on training & development

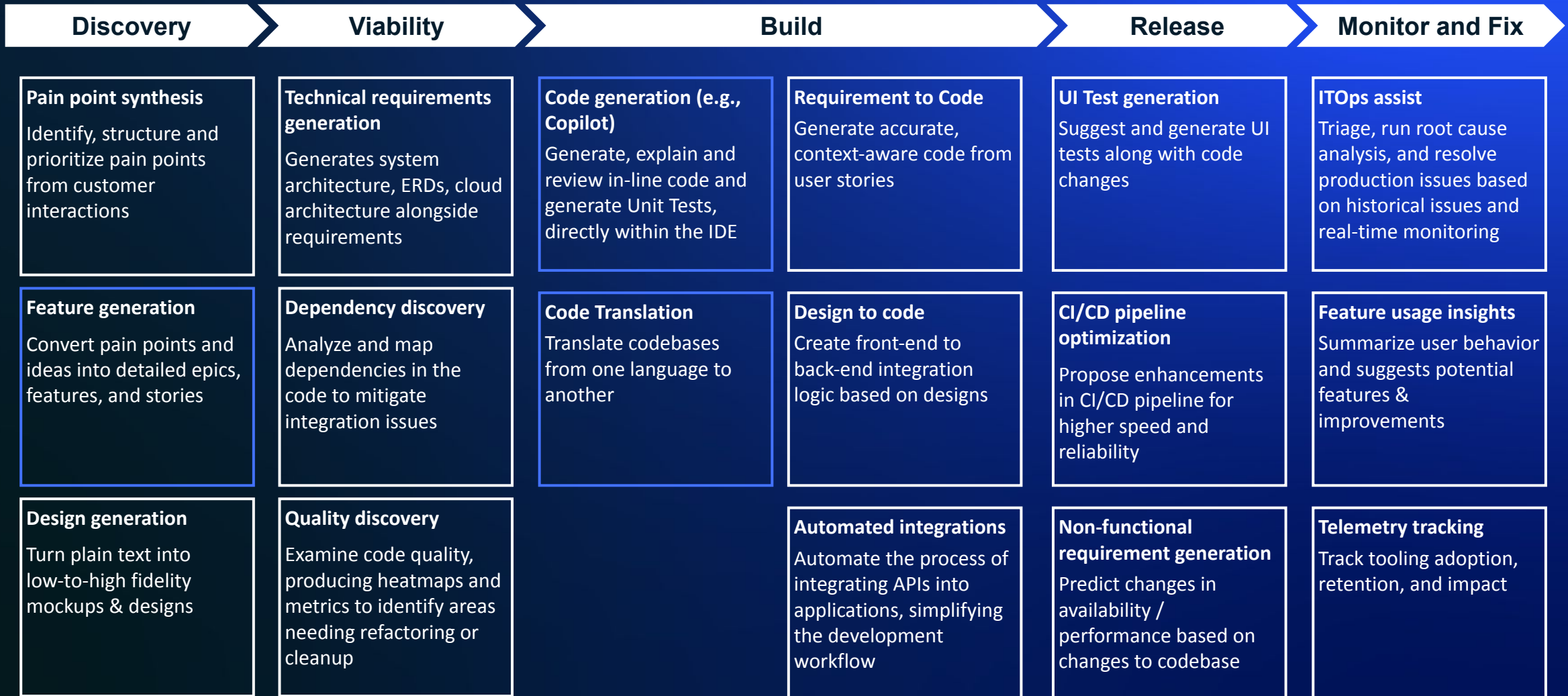
2 Low-code & no-code platforms

- Increases productivity
- Drives economic value
- Fosters a new demographic of citizen developers outside of traditional IT departments

4. We believe Gen AI driven Engineering Excellence can unlock 10x productivity across the product development lifecycle

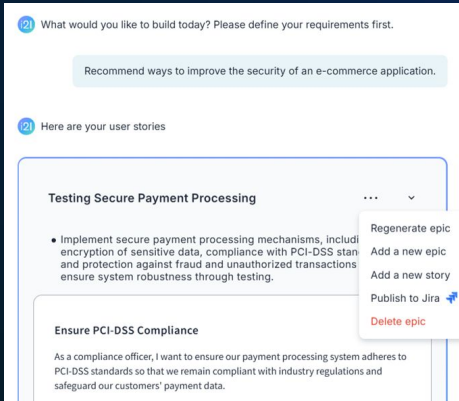
Key use cases across PDLC

☐ Most popular use cases today

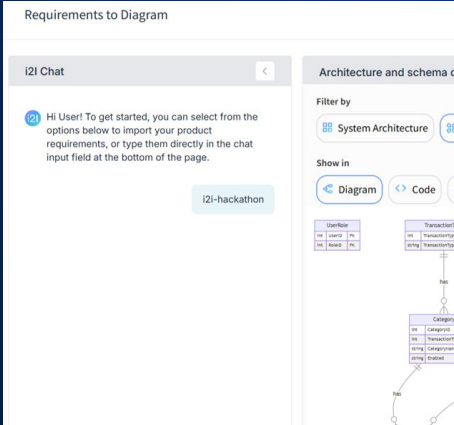


4. ...with engineering workflow changes through GenAI to achieve productivity

Illustrative ■ GenAI enhancement



Use requirement generation to create user stories and requirements



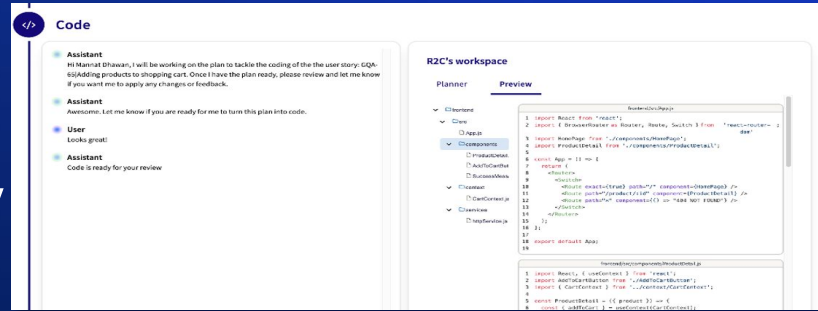
Use requirement to Design to automatically generate designs

Use OTS tool like Copilot to facilitate writing code

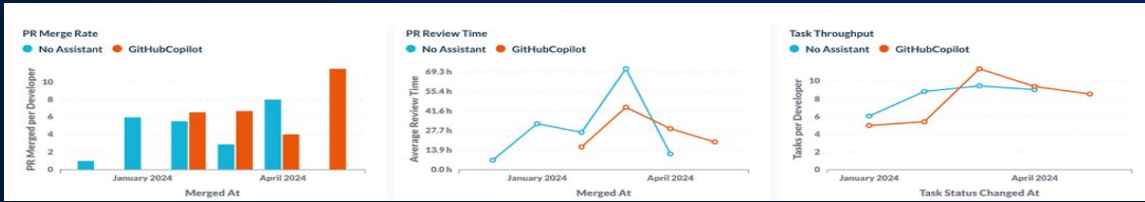
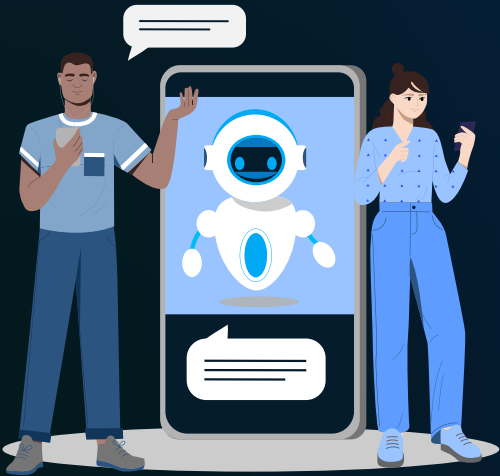
Gen AI tools can be used to edit code

Deploy product with **CI/CD pipeline optimization**

New features and code are deployed in the pipeline with recommendations for speed and reliability



Use Code Assist / Copilot to facilitate writing code



Understand developer engagement through Telemetry System

Iterate on tool usage

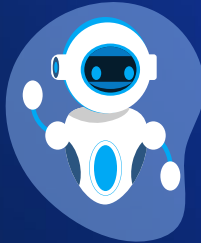
The product managers and developers can gather insights from the telemetry system to refine how to best use the tool

5. Talent: Core shifts across org, teams and locations

Non-exhaustive

Smaller, AI-powered scrum teams capable of rapid evolution and enhanced productivity

- Enhanced Productivity
- Flexible Resource Allocation



Shift to a “diamond” organizational structure with focus on senior development roles

- Diamond Structure

Re-imagined roles with expanded scope and skills enabling “human-in-the-loop” design

- PMs as E2E Owners
- Full-stack proficiency



Leveraging GCCs¹ to broaden and utilize global talent pool for strategic value creation

- Global Talent Expansion
- GCCs¹ for strategic value creation

1. Global capability centers

The way people are interacting with software is changing...

Today, a meaningful portion of the organization self-identifies as technologists, but don't sit within tech org.

We enable these 'citizen developers' with access to the building blocks of our underlying tech, giving them the ability to innovate without sacrificing scale and controls.

Sudhir Nair, global head of the Aladdin Business at BlackRock