# Leading Digital Business Transformation

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## Executive Summary

Your customers are becoming digital. They now embrace digital technologies and experiences as a normal part of their lives. Their digital expectations continuously evolve and shape their perceptions of value and how this value needs to be delivered to them. But to succeed in this age of the customer, building a new fancy website or mobile app is not enough: You must transform every aspect of your business. At the heart of this transformation to a digital business is the need to redefine how to create and deliver value for customers. To do this requires businesses to fundamentally rethink their organizational structures, operating models, business processes, technology, skills, and culture. Forrester's definition of a digital business is rooted in customer perceptions of value.[1]

> **Forrester defines digital businesses as those that win, serve, and retain customers by continuously creating and exploiting digital assets to simultaneously deliver new sources of customer value and increase their operational agility.**

Organizations must begin to look at digital holistically and transform by applying digital thinking across everything they do — how they win, serve, and retain customers; how they operate internal processes; and how they source business services. In short, they must become a digital business.

In December 2015, SugarCRM and Squiz commissioned Forrester Consulting to find how organizations with a mature digital strategy define and manage their "digital business transformation," which roles drive the digital strategy, and how these firms are tackling the organizational and cultural challenges presented by this business transformation.

In conducting in-depth surveys with 410 senior business and technology executives, Forrester found that while most organizations believe they will be disrupted by digital technologies in 2016, very few of them have a mature digital strategy, where the business has a defined digital operating model that is continually followed and specifies "when," "how," and "by whom" the digital strategy should be performed. In this report, Forrester analyzed what aspects of these companies — the ones that assessed their digital strategy maturity as "excellent" — set them apart from the rest, or the ones that assessed their digital strategy maturity

as "fair." This report will help you to understand the characteristics and behaviors of the digitally mature organizations and how this compares with organizations with a less mature digital strategy.

## Key Findings

Forrester's study yielded five key findings:

› **Businesses with a mature digital strategy are rare.** Just 11% of companies surveyed assessed their digital strategy as "excellent." Businesses with the highest maturity are typically from retail (35%) or financial services and insurance (FSI) (33%).

› **The CEO drives the digital vision and strategy in mature organizations.** The CEO sets the overall digital vision and strategy for 41% of organizations with a mature digital strategy. This is in contrast with less mature organizations, where the CIO tends to be in charge of the digital vision and strategy.

› **Customer experience is the North Star for digital transformation initiatives.** The top three digital transformation drivers for mature businesses involve improving their customers' experience, increasing the speed of innovation, and improving-time-to market. In contrast, the drivers for less mature businesses focus mainly on profitability improvements and cost reduction.

› **Cultural and organizational issues are key transformation challenges even for mature firms**. Forty-three percent of firms with a mature digital strategy see competing departments wanting to own digital as the most significant barrier to effective digital transformation in their organization.

› **Digital is not a destination; it is a journey that requires businesses to be agile.** Ninety-four percent of mature businesses plan to address the threat of digital disruption through transforming systems and processes to be more agile in the digital world. Agility is also seen as one of the top five metrics to measure the success of digital programs.[2] In contrast, less mature businesses plan to address the threat by developing "shiny objects" such as connected products and services, while key success metrics include tactical indicators such as the number of customer orders handled.
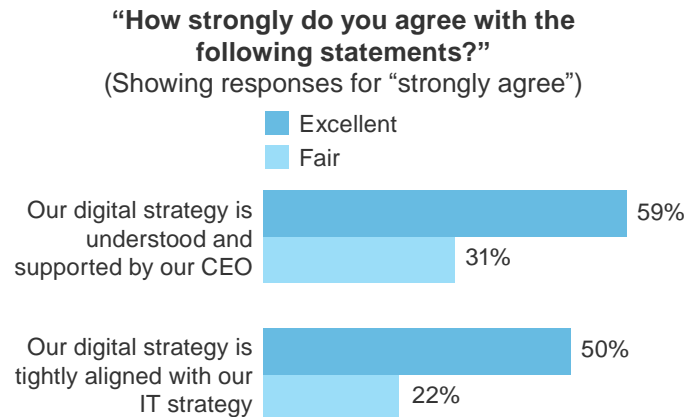
# Digital Transformation Must Involve The Entire Business

No industry is immune to the changes brought by digital disruption. However, many business leaders don't think of digital as central to their businesses because in the past, it hasn't been.[3] The things that used to set companies apart — such as economies of scale, distribution strength, and brand — are far less potent than they used to be. Why? Because digital technologies have fundamentally changed two things: the dynamics of the markets in which you operate and the speed needed to remain competitive. Now your customers, your products, your business operations, and your competitors are fundamentally digital. To win in this new world, leaders must reinvent their business as a digital business.

The problem is that many digitization efforts result in little more than bolting a digital tool or channel onto an existing business. And while each digital project may show some success in its own right, eventually treating every new digital change as just another standalone project generates organizational and technical chaos — chaos that eventually undermines the customer experience. Only a comprehensive digital business transformation can create an organization that flexes to address customers' heightened expectations. Our study found that businesses with mature digital strategies tend to look at digital holistically and start their digital transformation journey with a clearly defined digital vision. For these mature organizations:

› **The CEO sets the digital vision**. A compelling and holistic digital vision forms the foundation for digital business transformation — one that inspires employees to make the tough decisions required to embed digital into everything they do, from how products and services are created and delivered to the relationships formed with customers, business partners, and employees. But that vision doesn't exist in isolation; a strong digital vision should link corporate strategy to on-the-ground actions. For 41% of mature digital businesses, the CEO is responsible for setting the digital vision and strategy, while 59% strongly agree that the digital strategy is understood and supported by the CEO. Further, 50% of these firms believe that their digital strategy is tightly aligned to the business' IT strategy. This is in contrast to less mature organizations, where just 30% identify the CEO as being responsible for the digital vision and strategy, 31% believe it is well understood and supported by the CEO, and only 22% believe that it is tightly aligned with the IT strategy (see Figure 1).

**FIGURE 1**

**The Digital Strategy In Mature Businesses Is Supported By The CEO And Tightly Aligned With The IT Strategy**



"How strongly do you agree with the following statements?"
(Showing responses for "strongly agree")

■ Excellent
■ Fair

Our digital strategy is understood and supported by our CEO
- Excellent: 59%
- Fair: 31%

Our digital strategy is tightly aligned with our IT strategy
- Excellent: 50%
- Fair: 22%

Base: 410 IT and business decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of SugarCRM and Squiz, December 2015

› **Customer experience is the North Star for the journey.** To succeed in this digital world, your business must learn to embrace digital thinking to meet and exceed your customers' expectations. The vision set by the CEO must reimagine how the organization creates and delivers experiences that customers perceive as valuable. Sixty-nine percent of mature digital businesses have introduced an innovation taskforce to identify new sources of value for customers. This focus on improving customer experiences must become a beacon for all employees within the organization. Case in point, mature businesses in our study are three times more likely to have a clearly defined customer experience vision, and this vision is clearly shared with and understood by all parts of the business.

› **Digital transformation drivers focus both on customer experience and operational agility.** Many firms proudly point to their mobile app and proclaim, "Hey, we're digital!" While they may be driving incremental revenue, all they have done is bolt on another touchpoint.[4] Your company's ability to create value for its customers will depend on how easily you can digitally augment your core capabilities — both front and back office — and realign them to deliver the outcomes your customers really desire. The mature businesses in our study understand this and have identified that the top three drivers for digital transformation encompass: 1) adding value for their

customers via improving the customer experience; 2) enhancing the speed-to-innovate; and 3) improving their innovations' time-to-market. The drivers for less mature businesses are focused on internal, traditional business metrics such as profitability and cost reduction.

› **The company must break down business silos to realize the digital vision.** Transforming a company into a digital business is hard and slow and requires significant shifts in organizational thinking and behavior. Siloed organizations, processes, and systems intensify the operational challenge and prevent the delivery of end-to-end experiences that exceed customer expectations. This is further amplified by different functions competing to own digital. The mature businesses in our survey recognize this and are two times more likely to raise this as their most significant barrier to effective digital transformation in their organization than less mature businesses.

## Mature Businesses Create Unified Digital Customer Experiences

Digital businesses understand that if they are to win in the age of the customer, they must become customer obsessed. Success means investing in constantly evolving customer experiences and understanding that digital technologies have become fundamental in delivering delightful experiences to their customers. In other words, digital and customer experience strategies need to be tightly linked together. The mature businesses in our study understand the importance of being customer obsessed and are not satisfied when they just meet their customer digital expectations. As a matter of fact, 43% believe their digital customer experience exceeds their customers' expectations. In contrast, only 1% of less mature businesses believe they exceed their customers' expectations, with 39% failing to meet them. But exceeding customers' expectations does not happen by chance. The survey results highlight a systematic approach that digitally mature organizations use to create unified digital customer experiences:

› **Define the experience they intend to deliver to their customers.** Many businesses pay lip service to customer-centricity, but one thing that really sets effective customer experience efforts apart from ineffective efforts is a defined conception of the intended experience for customers and a plan for getting there. Sound customer experience strategies bring focus, clarity, and rationale to customer experience efforts through clearly defining the intended experience, guiding employee decision-making, and

steering resources to the right projects.[5] The mature firms in our study have implemented many of these practices to a far greater extent than the less mature firms. For example, three times as many mature businesses have clearly defined the intended experience and ensure that customer experience requirements are taken into account when making decisions and setting priorities (see Figure 2).

### FIGURE 2
**Mature Digital Firms Have Adopted A Range Of Customer Experience Practices To Exceed Customers' Expectations**



"To what extent do you agree or disagree with the following statements related to your customer experience vision and strategy?" (Showing responses for "strongly agree")
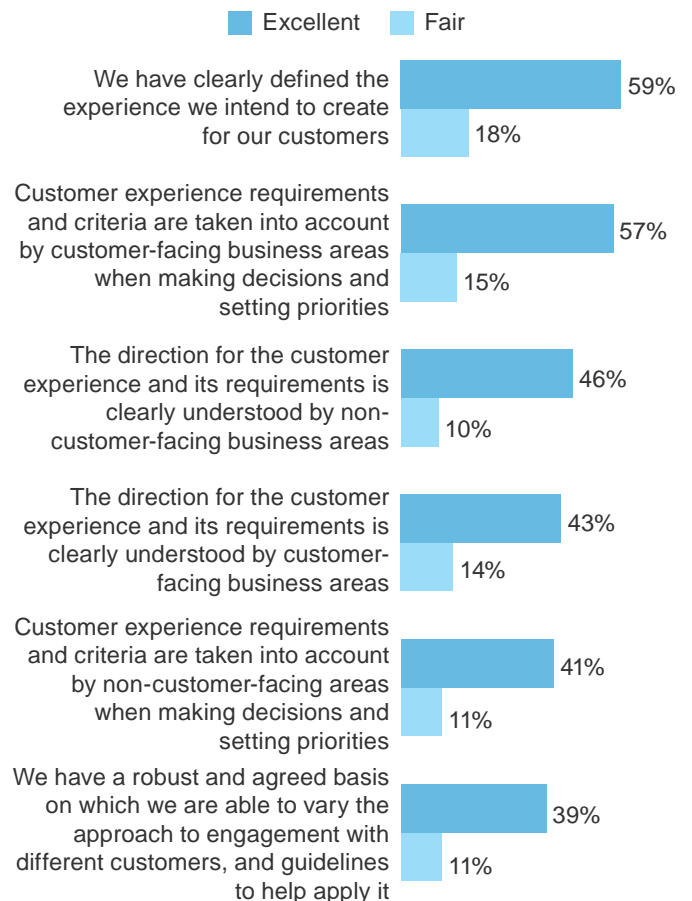
Base: 410 IT and business decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of SugarCRM and Squiz, December 2015

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› **Integrate customer engagements across all channels.** The rapid consumer adoption of mobile devices, new interfaces like wearables, and the changing behaviors they encourage have fundamentally changed how customers engage with brands. In the post-PC era, customers expect experiences to come to them — regardless of which device (or devices) they are using — and to provide services aligned with their needs and abilities, in their moment of need.[6] What's more, customers increasingly expect that this unified experience follows them on their journey and across digital or physical touchpoints. Mature businesses understand these new requirements and are five times more likely to have an integrated approach to design and deliver customer engagement across all channels.

› **Personalize the experience of their customers.** The days of treating customers as segments and cohorts are coming to an end. Companies need to think in terms of individualized experiences that organize and prioritize functionality and content around customers' individual needs and behaviors. Mature businesses are five times more likely to recognize the importance of personalizing the customer experience and have developed the systems and processes that allow them to respond to customer requirements with different treatments, content, and communication. These firms were also seven times more likely to have developed interactions that are designed to achieve a specific goal with one customer segment or individual.

› **Learn from each interaction to further tailor future interactions.** By listening to customer feedback, inviting customers to share their experiences, and paying attention to customer complaints, leading firms become experts at seeing their business from their customers' perspective. Leaders communicate and interact with customers across channels and devices in real time and use these interactions to develop long-term relationships. Three times as many of the mature firms in our study actively encourage and use content generated by customers on social media platforms.

## Mature Businesses Double Down On Operational Excellence

Adapting your business to just focus on the digital customer experience will only take your organization so far. Digital business transformation also requires a focus on ensuring digital operational excellence in service of customers.

Applying digital technologies to internal business operations will improve agility and help the organization keep up with fast-changing customer expectations. Digital operational excellence increases speed-to-market, renders employees more productive, and promotes leaner processes and more effective asset use. Today's businesses with a mature digital strategy are reshaping business operations — with a focus on agility, simplification, and time savings — and they are focusing these changes on improving the experience of their customers. Developing digital operational excellence requires them to:

› **Focus on making the IT systems and processes more agile.** Digital mastery requires companies to acquire, build, and deploy new technology services at speeds that used to be unthinkable. Digital businesses need to be highly agile and able to rapidly respond to changing customer needs by quickly spinning up new business capabilities. Ninety-four percent of the mature firms see transforming their IT system and processes to make them more agile as the top priority to address the threat of digital disruption. The top priority for less mature businesses is to merely focus on the development of "shiny objects" through the development of smarter and more digitally aware connected products and services (75%) (see Figure 3).

› **Empower employees with customer data and analytics.** Digital technology brings the opportunity to generate deeper insights than ever before. With mobile location data, social activity, and sensor data from products to manufacturing operations, firms face an explosion of data to exploit. Highly agile startups and flat organizations are giving vast numbers of employees direct access to customer data and the tools they need to explore it, test out hypotheses, and inform the decisions they make daily.[7] Five times as many of the mature firms in our study use business rules and analytics to consistently personalize engagements in real time, while three times as many have also adopted analytical models to adapt digital marketing to customer needs and interest in real time (see Figure 4).

› **Drive innovation through collaboration with the external partner ecosystem.** The pace of change in the digital world means that digital businesses must innovate if they are to keep up. Digital businesses realize that they don't have a monopoly on great ideas and need to be constantly pushing their business forward. They foster innovation by connecting customers and employees, forming dynamic, cross-functional teams that aren't bound

by traditional structures and ways of working. The mature businesses in our study understand the need to challenge these rules and drive innovation through massively leveraging external influences. These businesses highlighted that to improve innovation over the next 12 months, they plan to improve collaboration with partners (89%), create a corporate accelerator to invest in digital startups (61%), and conduct innovation hackathons (53%) to promote innovation.

› **Engage all internal staff to overcome inertia.** The cultural transformation required to become a customer-obsessed company that consistently delivers great experiences takes years, and the path is strewn with obstacles and setbacks. It is also important that the digital strategy is understood and communicated across the business. Twice as many mature firms in our study recognize this and have senior leaders from across the business regularly communicate to all employees about the digital strategy, while a majority of mature firms (54%) also believe that fostering a culture of digital innovation is a critical enabler for their digital business.

**FIGURE 3**

**Mature Businesses Double Down On Operational Agility, While Less Mature Focus On Developing New "Shiny" Objects**

**"You said that in the coming year, your organization wants to address the impact of digital disruption on your business. What actions is your organization taking to achieve this objective?"**

Excellent
Fair

| | Excellent | Fair |
|---|---|---|
| Transform our IT systems to make them more agile for the digital world | 94% | 73% |
| Create digital-oriented collaboration/joint venture with new or existing business partners | 75% | 45% |
| Establish new digital governance and transformation management | 75% | 45% |
| Create "smarter" and more digitally aware connected products or services | 69% | 75% |
| Clearly define digital ownership, funding, and operations | 69% | 49% |
| Assess the impact of digital as it relates to customer experience | 63% | 68% |
| Create a skunkworks or a group separate from the main company to experiment with digital initiatives | 56% | 25% |
| Hire a C-level executive who is focused on digital | 38% | 20% |

Base: 189 IT and business decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of SugarCRM and Squiz, December 2015

**FIGURE 4**

**Mature Digital Firms Have Adopted Analytical Practices**

**"To what extent do you agree or disagree with the following statements related to your firm's adoption of the following analytics practices?"**
(Showing responses for "strongly agree")

Excellent
Fair

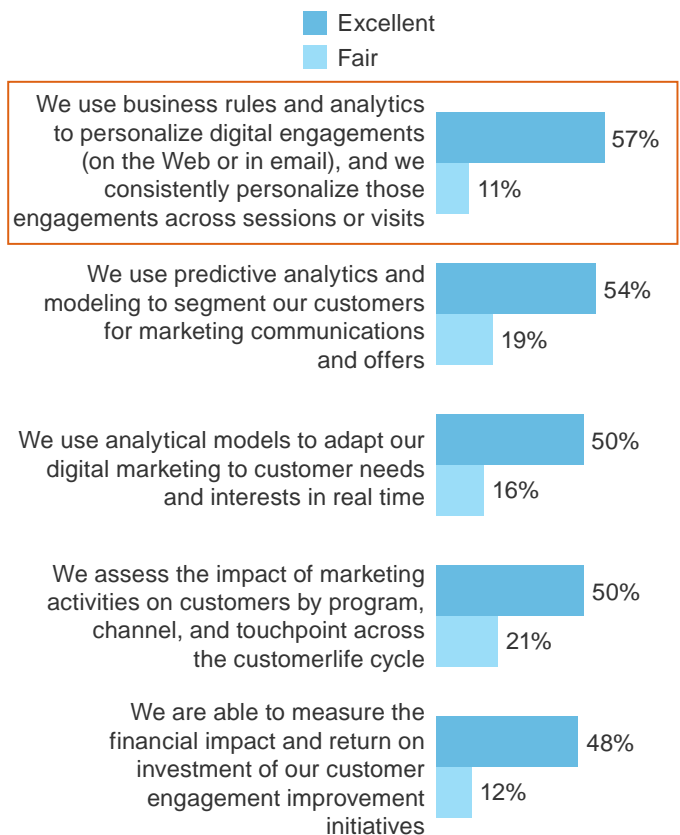| | Excellent | Fair |
|---|---|---|
| We use business rules and analytics to personalize digital engagements (on the Web or in email), and we consistently personalize those engagements across sessions or visits | 57% | 11% |
| We use predictive analytics and modeling to segment our customers for marketing communications and offers | 54% | 19% |
| We use analytical models to adapt our digital marketing to customer needs and interests in real time | 50% | 16% |
| We assess the impact of marketing activities on customers by program, channel, and touchpoint across the customerlife cycle | 50% | 21% |
| We are able to measure the financial impact and return on investment of our customer engagement improvement initiatives | 48% | 12% |

Base: 410 IT and business decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of SugarCRM and Squiz, December 2015

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## Key Recommendations

Digital is typically only associated with delivering a superior customer experience. In order to become digital businesses, organizations also need to leverage digital to enhance employee engagement and drive operational excellence. This digital transformation is a long and complex process that will affect every business function within the organization: the customer facing-ones as well as those invisible to the customer. Business leaders need to grasp this complexity and take an iterative approach to implement the culture, processes, and technology required to compete in the digital world. As a decision-maker seeking to drive the digital transformation of your business, you should:
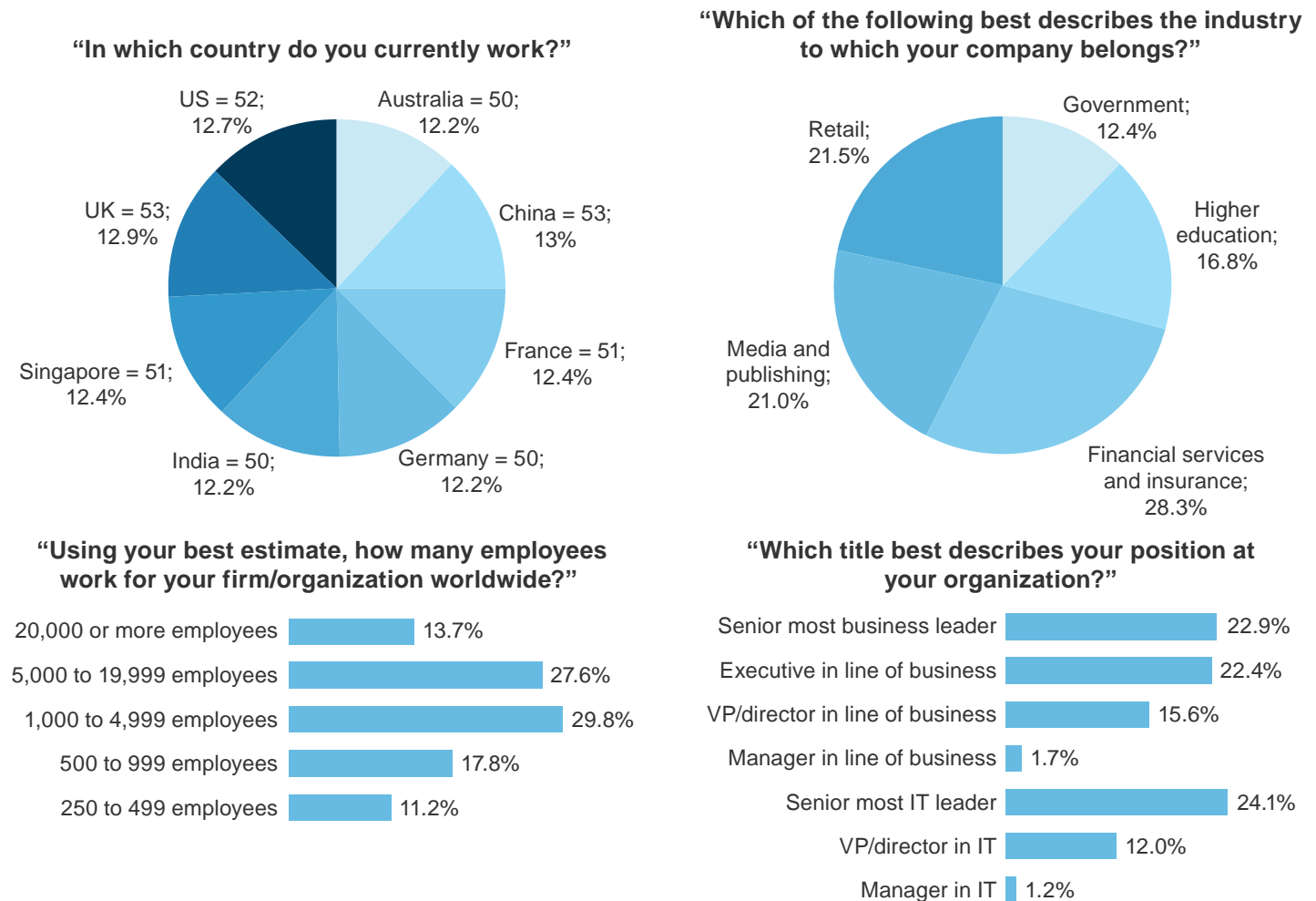
› **Establish a clear digital vision and ownership**. Digital business transformation is so fundamental to a firm's future success that the CEO must inspire employees to pursue a vision of the company as a digital business. However, many CEOs feel that digital is somewhat beyond their grasp. If that's the case in your firm, then as a leader, it's imperative that you step up and collaborate with your peers and business unit heads to co-create a digital vision that your CEO can sponsor. As a digitally savvy leader, you need to take a strong leadership position in the organization — show how proven results from one business can scale to other parts of the business.

› **Establish a digital-first culture**. Collaboration, agility, and digital innovation are second nature to employees in digital businesses. Fuel the digital-first mindset in your firm by educating, training, and inspiring your employees with digital seminars, roadshows, education programs, and partner days. Engage your human resources team early to help define how team goals, employee performance plans, and rewards need to change. Leverage human-centered design approaches to build your staff's empathy for customer needs and desires.

› **Think big; start small; act swiftly.** No matter what your situation, the journey to business success in the age of the customer is a radical overhaul of culture, organizational structures, technology, measurement frameworks, and operating models. And it's ongoing. Executives must approach digital business as more than a single program of activities to wrap up and put to bed. This isn't about creating a standalone digital strategy. Digital business must become the new way of being for your firm. However, don't try and justify a complete organizational overhaul in one go. Look to develop prototypes and use cases that provide living, breathing demonstrations of the power of digital; these can be strong proof points to fuel further investment.

› **Use customer journey mapping to set priorities**. Customer journey maps and business capability models help firms prioritize scarce resources and better understand how to bring value to customers. Digital leaders should begin to break down functional silos by assigning staff to customer teams pulled from across the organization. Build a hyper connected leadership team by using shared goals and customer-oriented success metrics for all.

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# Appendix A: Methodology

In this study, Forrester conducted an online survey of 410 IT and business decision-makers involved with digital strategy and initiatives. Respondents were from enterprise organizations in Australia, China, France, Germany, India, Singapore, the UK, and the US and from financial services and insurance, government, higher education, media and publishing, and retail industries. Respondents were all at a manager level or higher within their organization of 250 employees and above. The study was completed in December 2015.

# Appendix B: Demographics/Data

**FIGURE 5**
**Location, Company Size, Industry, And Role**

**"In which country do you currently work?"**

US = 52; 12.7%
Australia = 50; 12.2%
UK = 53; 12.9%
China = 53; 13%
Singapore = 51; 12.4%
France = 51; 12.4%
India = 50; 12.2%
Germany = 50; 12.2%

**"Which of the following best describes the industry to which your company belongs?"**

Retail; 21.5%
Government; 12.4%
Higher education; 16.8%
Media and publishing; 21.0%
Financial services and insurance; 28.3%

**"Using your best estimate, how many employees work for your firm/organization worldwide?"**

| | |
|---|---|
| 20,000 or more employees | 13.7% |
| 5,000 to 19,999 employees | 27.6% |
| 1,000 to 4,999 employees | 29.8% |
| 500 to 999 employees | 17.8% |
| 250 to 499 employees | 11.2% |

**"Which title best describes your position at your organization?"**

| | |
|---|---|
| Senior most business leader | 22.9% |
| Executive in line of business | 22.4% |
| VP/director in line of business | 15.6% |
| Manager in line of business | 1.7% |
| Senior most IT leader | 24.1% |
| VP/director in IT | 12.0% |
| Manager in IT | 1.2% |

Base: 410 IT and business decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of SugarCRM and Squiz, December 2015

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# Appendix C: Endnotes

[1] Companies need to look at digital holistically and rethink what it means to create and deliver value to a customer. As presented later in this report, too often decision-makers tend to have different views and goals of what digital means for their own department or business unit. This definition is aimed at helping organizations understand the purpose (create new value for customers) and the scope of digital (both customer facing as well as operations focused).

[2] Forrester defines business agility as a state of business maturity that allows an enterprise to embrace market, organizational, and operational changes as a matter of routine.

[3] Source: "The Digital Business Imperative," Forrester Research, Inc., December 7, 2015.

[4] Source: "The Digital Business Imperative," Forrester Research, Inc., December 7, 2015.

[5] Source: "Customer Experience Strategy Best Practices," Forrester Research, Inc., December 9, 2015.

[6] Source: "Customer Experience In The Post-PC Era," Forrester Research, Inc., November 3, 2015.

[7] Source: "The Data-Driven Design Revolution," Forrester Research, Inc., August 5, 2014.

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