

The Business Technology Strategy Starts With Customer Obsession

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CIOs Get Lost In Tech Strategies And Fail To Understand The Customer

Report Excerpt

It's the age of the customer — a 20-year business cycle in which the most successful enterprises will reinvent themselves to systematically understand and serve increasingly powerful customers. In the age of the customer, firms seek to understand and respond to rapidly changing customer needs and expectations — through digital customer experience and through operational excellence.¹ CIOs have sought a “seat at the table” forever, wanting to help the executive team lead their firms’ business success through technology management. But many CIOs have yet to realize the central role they can play in their firm’s success, because they:

› **Fail to clearly understand key customer wants and needs.**

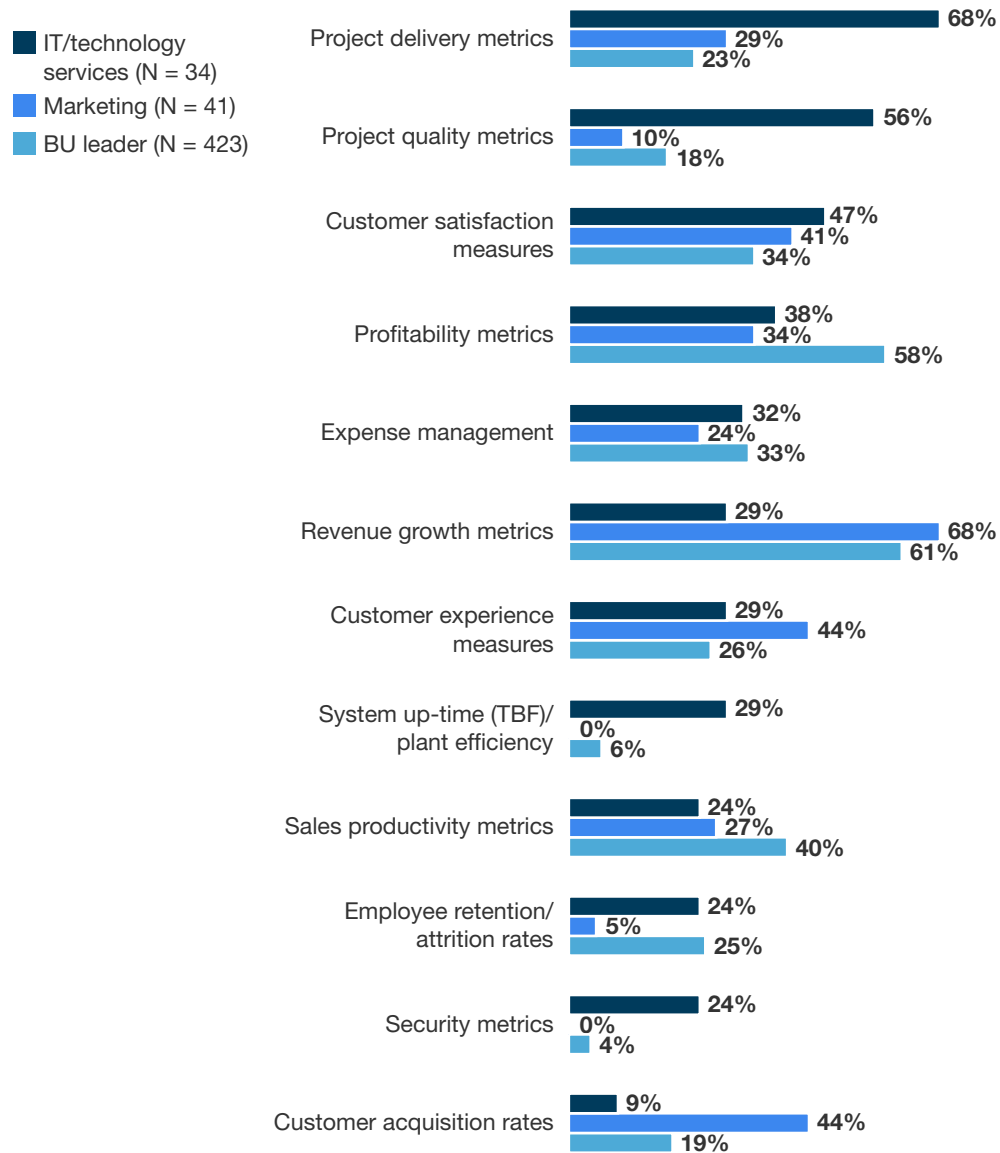
Enterprise-level business strategies succeed in the age of the customer because they follow four customer-obsessed operating principles: customer-led, insights-driven, fast, and connected.² However, CIOs have a hard time focusing on dynamic customer needs and wants when project delivery and quality and operations primarily determine their performance assessment (see Figure 1).³

› **Don't engage in active, collaborative ownership of digital activities.**

Firms are pursuing an increasingly digital business strategy as they apply the customer-obsessed operating model. But CIOs in many corporations fail to collaborate with other execs to lead these key digital activities. At best, the disconnected CIOs act as order takers, supporting digital initiatives in customer-touching organizations with some appreciation for the customer. At worst, they slow down change, failing to integrate and understand customer-led activities across the enterprise (see Figure 2).⁴

FIGURE 1 CIOs' Metrics Don't Mesh With Those Of Their Business Peers

“What are the key performance indicators (KPIs) for your specific role?”

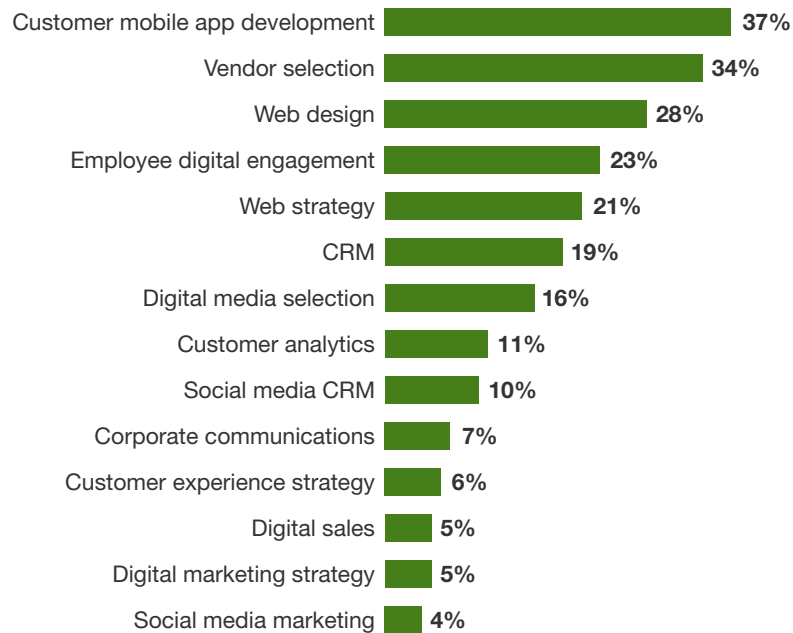


Base: Respondents in companies with 250+ employees

Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey

FIGURE 2 Examples Of Business Metrics Along Each Step Of The Customer Journey

“Which function is the primary owner of the following responsibilities?”
(Percentage owned by IT*)



Base: 325 executives in companies with 250 or more employees

Source: Forrester/Odgers Berndtson Q3 2015 Global Digital Business Online Survey

*Remainder made up of marketing, eCommerce, digital team, or other

Legacy Strategic Planning Can't Keep Up With Today's Changing Customer Realities

Few firms move easily into a customer-obsessed operating model — especially because their traditional strategic planning and initiatives funding efforts don't support the customer-obsessed principles. Instead, they remain (see Figure 3):⁵

- › **Stuck in project-based planning, unable to respond to changing customer realities.** A fixed-requirements, project-based approach limits CIOs' ability to respond intra-year to rapidly changing customer realities. This approach locks them into a slow-paced annual cycle with fixed upfront commitment to requirements and approaches.
- › **Focused on controlling spend, not delivering customer-led outcomes.** Budgets matter, even in the age of the customer, but the project-based annual road map works only to constrain the budget, not find a way to optimize the value delivered. It doesn't guide strategy execution toward the delivery of the desired business outcomes.

- › **Locked into initiatives at high levels of uncertainty.** The annual plan does its best to identify each project’s requirements, the technology approach (plus related costs), and the expected results. But with project funding typically committed with low levels of certainty, the results are uncertain — as much as 100% off. This classic problem won’t go away, and CEOs at firms with limited investment funds can’t understand why the money budgeted doesn’t deliver the projects in the strategic road map.

FIGURE 3 Traditional Strategic Planning Moves Slowly, Focused On Budgets, Not Customer Outcomes



Many Firms Position Technology As A Secondary Capability In Their Annual Planning

With the best of intentions — but without a mature tech management organization and the necessary commitments, tools, and methodologies — many firms have failed to deliver on the promise of digital technologies thanks to:⁶

- › **Standalone projects.** The new competitive world is a network of interactions, not a linear path. Traditional project-based approaches to value delivery, focused on single organizations, fail to understand that customer obsession has to manifest across this entire network and across the customer's entire value stream. This means that investment planning has to consider the integrated whole as well as each individual initiative.⁷ The project-focused CIO asks: Don't the business planners talk to each other?
- › **Lack of input from the tech management organization.** Many firms have treated traditional IT as an order-taker, at best — they don't include tech management in planning until after the other business organizations have defined strategies and road maps. This has prevented the CIO's organization from influencing the strategic use of technology and even from providing early guidance in the cost implications of different approaches. In the age of the customer, technology management has to engage early and continuously.
- › **Piecemeal top-down guidance.** Top-down guidance yields disjointed plans when pushed to individual business organizations without taking into account the connected nature of their strategic objectives.⁸ As a result, each business organization — including IT — optimizes in isolation for its own needs.⁹

Your BT Strategy Must Deliver Customer-Led Outcomes

As firms pursue more customer-obsessed business strategies, business technology — the technologies, systems, and processes to win, serve, and retain customers — will play an increasingly important role.¹⁰ Your BT strategy must account for your customers' wants, needs, and motivations and optimize your firm's ability to navigate toward successful customer-led outcomes. In fact, those customer-led outcomes should sit at the center of the strategic road map (see Figure 4).¹¹

FIGURE 4 Your BT Strategy Must Deliver Customer-Led Outcomes

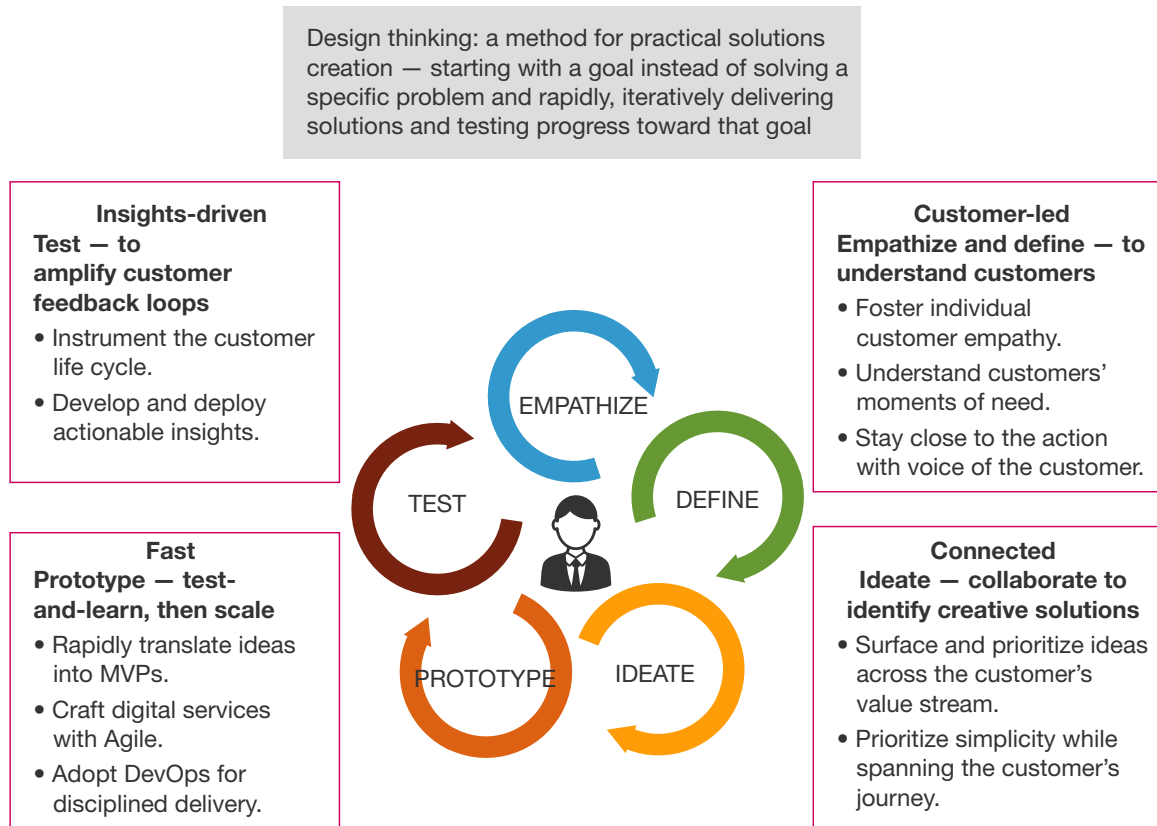


Your BT Strategy Provides The Path To Remedy Strategic Disconnects

Instead of being bound to a road map of tech-based initiatives, your BT strategy must enable continuous change to how tech management figures into the overall enterprise strategy — which itself must support continuous change.¹² Firms have no time to lose — customers' expectations will only accelerate. And when CIOs fail to take the digital reins and lead the customer-facing technology initiatives, CEOs turn to other leaders — including chief digital officers — who will only complicate future efforts. To avoid this, your BT strategy must proactively:

- › **Utilize design thinking across the firm to apply customer obsession.** Instead of waiting for a strategic planning process to deliver a road map, customer-obsessed CIOs bring BT strategy into enterprise planning through design thinking. Solutions-oriented design thinking emphasizes customer empathy, clearly defining the customer and the problem, collaboratively ideating solutions, and then rapidly prototyping and testing those solutions.¹³ When tied to strategic planning, this approach optimizes customer-led value while also engaging tech management deeply in the firm's strategic initiatives (see Figure 5).
- › **Engage with other organizations across planning and delivery.** A BT strategy must reach across the customer's value stream — from the outside in. And the tech management organization sits at the prime crossroad for engaging in this value stream, touching every organization at some level. Effective BT strategy includes interactions for both prioritization and design with customer-touching organizations.

FIGURE 5 The BT Strategy’s Design Thinking Applies The Customer-Obsessed Operating Model’s Principles



Source: “Master Design Thinking To Accelerate Your BT Agenda,” Forrester report

Adopt BT’s Continuous Strategy, Road Map, And Budget Updates

The primary challenge of delivering on customer obsession derives from the lack of foreknowledge and certainty about what the customer wants and how to address those interests. In addition, the focus on standalone projects must give way to viewing the set of initiatives associated with delivering value to the customer.¹⁴ Fixed annual road maps can’t possibly deliver. Instead, firms exercising a BT strategy drive:

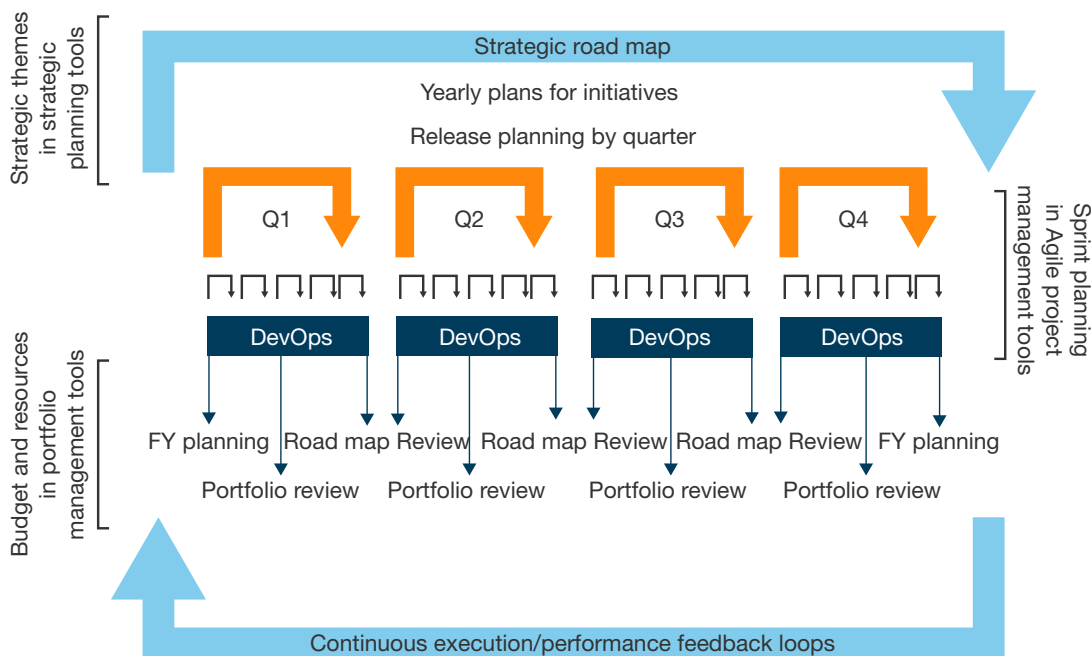
- › **Continuous delivery (Agile plus DevOps) for greater customer responsiveness.** Understanding and responding to customers’ needs requires discovery of what works for customers and continuous adjustment of strategy based on these insights. Customer-touching solutions can’t be modeled — they are complex, with high levels of uncertainty for what the needs are and what solution can meet them.¹⁵

- › **Outcome management to fund discovery to address customer journeys.** In the age of the customer, when it is impossible to model much of the customer value proposition, customer-obsessed firms fund outcomes instead of individual projects.¹⁶ This funding approach sets the initial expectations for time frame and level of effort using business capability maps as a common language and strategic themes to reach end-to-end across business units (BUs) (see Figure 6).¹⁷
- › **Continuous strategy and portfolio changes intra-year to manage uncertainty.** Ongoing insights form the foundation of progress toward strategic outcomes — as well as the continued soundness of those outcomes. Agile development can adjust sprint-by-sprint, fed by the test-and-learn definition of each sprint’s story. And funding for individual initiatives can be adjusted intra-year, maintaining oversight of complex initiatives — including the road map, work in progress, and newly identified alternatives. The cycle time for resetting the full plan can vary.¹⁸

FIGURE 6 BT Strategy Requires Both Continuous And Annual Planning To Meet Customers’ Expectations



FIGURE 6 (Continued)



Push Your BT Strategy Beyond The Traditional Planning Boundaries

The connected customer-obsessed principle may prove one of the more challenging. Reaching across traditional boundaries will require a combination of finesse and persistence. But again, the BT strategy can serve as the lever for breaking loose traditional approaches as it:

- › **Proactively provides tech input to business plans at multiple stages of the process.** The CIO has valuable knowledge about how technologies can enable business innovation, while other business execs may not understand emerging technologies’ opportunities and challenges well enough to guide their planning decisions. The CIO’s BT capabilities should provide an emerging tech watchlist, and sustained innovation should provide substantive guidance on the best ways to use technologies in a business context.¹⁹ But to ensure the focus centers on customer-led outcomes, make this focus part of ongoing research work. Deliver tech input in the early stages, when you’re first identifying initiatives, as well as during the detailed estimation cycles.
- › **Addresses top-down guidance through strategic themes as well as business budgets.** Both budget-owning organizations and owners of cross-organization strategic themes must work with tech management when considering executive guidance to optimize customer value across the portfolio.²⁰

Governance for the customer-obsessed operating model operates as a matrix, with strategic themes working across the structural BU stovepipes where budget control will continue to reside. To support this matrix, firms are identifying strategic themes that will span the budget-owning organizations and guide the portfolio of initiatives. Teams tasked with customer-obsessed strategic themes continuously review and provide input on the initiatives portfolio.²¹

- › **Plans for business services to address cross-organization opportunities.** Anticipate the resistance from individual organizations by funding business services that leverage existing systems and processes with minimal changes to them — while enabling customer-obsessed behaviors that span the enterprise and the value stream.

Deploy A Flexible, Repeatable, And Collaborative Strategic Process

The presence of a corporate strategic planning process won't guarantee that tech management can effectively work with it to build a customer-obsessed BT strategy. Only 30% of participants in a straw poll of 60 architects felt their firms had a strong enough corporate strategy process to support BT planning. But CIOs can keep moving forward with BT in the absence of a best-practice corporate strategy by pursuing customer-obsessed practices if they:

- › **Demonstrate a customer-obsessed process through a coalition of willing partners.** In the absence of a corporate strategy, become an influencer.²² Find two or three other business leaders committed to delivering on the customer-obsessed operating model and work with them to create a successful model for how their organizations should work. Don't struggle to get executive team buy-in all at once.
- › **Use design thinking to demonstrate the BT strategy's customer-value delivery.** Because the design-thinking process so completely incorporates the principles of the customer-obsessed operating model, it provides a perfect mechanism for showing outcome-driven BT. Successful application of these principles will help convince other business leaders of the power of the BT strategy. Regularly and frequently communicate progress, leveraging portfolio management to tie planning to execution for rapid prototyping and testing — especially Agile sprints. And weed out the solutions built by standalone Agile teams — especially those using a requirements list as the sprint backlogs, which means they fail to use test-and-learn for insights-driven customer value.
- › **Use business capability maps as the foundation for tech plans.** The language of the customer-obsessed enterprise strategy flows from the enterprise leadership. Forrester's ongoing research identifies the business capability model as the most effective version, because it describes a business in terms of the capabilities and relationships necessary to support the organization's mission; it will make it easier to link digital initiatives with customer value delivery. Typically developed by business architects working closely with the other business leadership, business capability maps form the foundation for the full life cycle of technology.

- › **Reverse-engineer a business strategy for the enterprise if necessary.** Because of the vital role it plays, an adequate corporate or operating unit strategy must exist to enable collaboration across the enterprise. In the absence of a solid corporate strategy, some CIOs have been effective at deriving a statement of the corporate strategy — translating leaders' statements into a strategy and selling it back to the other business leaders.

Endnotes

- ¹ The age of the customer is here. To prove this, we analyzed recent economic and survey data and reviewed the practices of over a dozen companies that have made customer-focused transformations. We found that customers are now more mobile, consume more reviews, and buy more online than ever before. Companies must respond by becoming customer-obsessed and adopting four mutually reinforcing market imperatives: 1) Get a quick start by embracing the mobile mind shift, 2) attain maximum customer intelligence by turning big data into business insights, 3) seek a broad impact by transforming their customer experience, and 4) become more effective by accelerating their digital business. This transformation happens locally, from the bottom up, and globally, with the backing of the CEO, CIO, and CMO. See the Forrester report [“Winning In The Age Of The Customer.”](#)
- ² The new customer-obsessed operating model required to win in the age of the customer is a hallmark of successful digital transformation. But it requires changes across the executive team, most keenly felt by CMOs and CIOs. To learn how customer-obsessed CIOs and CMOs are leading the needed changes, we asked these executives at customer-obsessed companies about their best practices. See the Forrester report [“A Customer-Obsessed Operating Model Demands A Close Partnership With Your CIO.”](#)
- ³ Many CIOs ask for help in building a digital strategy, but as this report shows, what they need is a digitized business strategy. Using results from the latest digital business executive survey, this report highlights necessary changes to digitize your business strategy and compete in the age of the customer. It helps set priorities and focuses on the right mix of skills to drive your transformation to a digital business. See the Forrester report [“The Key Success Factors Of Digital Business Strategy, 2016.”](#)

CIO spending breaks down to support IT ops over sell-side by 50%. See the Forrester report [“2016 Tech Budget Benchmarks.”](#)
- ⁴ The new customer-obsessed operating model required to win in the age of the customer is a hallmark of successful digital transformation. But it requires changes across the executive team, most keenly felt by CMOs and CIOs. To learn how customer-obsessed CIOs and CMOs are leading the needed changes, we asked these executives at customer-obsessed companies about their best practices. See the Forrester report [“A Customer-Obsessed Operating Model Demands A Close Partnership With Your CIO.”](#)
- ⁵ Agility is now a prerequisite for successful firms and enterprise architecture (EA) professionals delivering on digital strategies. Fast-paced, continuous delivery renders traditional budgeting and planning practices ineffective. As digital business becomes mainstream, Agile portfolio management plays a critical role in these strategies. See the Forrester report [“Strategic Portfolio Management Is Agile.”](#)
- ⁶ Forrester’s Technology Management Leadership Maturity Model (TM-LMM) consists of four domains (leadership, strategy and planning, service design, and service delivery). We designed this model to provide a brief self-assessment that gives insight into the maturity of your tech management organization. This insight can form the basis for articulating the value of the tech management organization to corporate stakeholders. The assessment can also help identify opportunities for investing in improvements to tech management capabilities for leadership, strategy, design, and delivery — and to determine priorities for a tech management leadership maturity road map. In separate frameworks, Forrester also provides detailed assessments and maturity models for deeper dives into specific topics such as strategy, tech management governance, technology demand management, business innovation, BT strategic planning, business services management, BT portfolio management, security, sourcing and vendor management, infrastructure and operations, etc. See the Forrester report [“Forrester’s Technology Management Leadership Maturity Model, 2016.”](#)

- ⁷ In the age of the customer, your company must exploit digital assets in order to compete effectively and deliver world-class customer experiences. But moving the business from its traditional roots toward digital mastery requires the CIO and the executive team to paint a compelling digital business vision. As our research highlights, executives in companies around the world lack confidence in their firm's current digital vision. See the Forrester report "[How To Craft A Better Digital Vision.](#)"
- ⁸ Clear business goals lie at the heart of good strategy. Unfortunately, many organizations have aspirational goals that make strategic planning difficult at best, and they lack the mechanism to translate aspirations into strategies. This report provides guidelines for your team to work with business partners in agreeing on specific, measurable, attainable, relevant, and time-bound goals that lend themselves to effective strategic planning. See the Forrester report "[Begin BT Strategic Planning With Clear Business Goals.](#)"
- ⁹ As firms intensify their focus on CX, CIOs increasingly are drawn into the heart of a key CX challenge: how to add digital to the CX mix. CX investments in systems of engagement have been expanding beyond mobile apps and websites to include systems of record and systems of insight. This expansion to end-to-end CX is shaping decisions across the enterprise as well as its partners. It demands the design, delivery, and operations skills that the technology management team brings to the table, and it's the CIO's job to see that these demands are met. See the Forrester report "[CIOs, CX, And End-To-End Tech Management.](#)"
- ¹⁰ BT brings together technology and traditionally customer-facing roles like marketing, sales, service, brand/product management, and fulfillment to deliver superior (digital) customer experience. The increasingly crucial role that digital technologies play in customer engagement elevates the CIO role in business. Read this report to understand how the age of the customer requires tech management to transform into an outside-in function that plans, builds, and runs BT according to customers' expectations. See the Forrester report "[The CIO Mandate: Engaging Customers With Business Technology.](#)"
- ¹¹ Source: Roger L. Martin, "The Big Lie of Strategic Planning," Harvard Business Review, January-February 2014 (<https://hbr.org/2014/01/the-big-lie-of-strategic-planning>).
- ¹² Maturing the foundations of integrated strategic planning and execution requires that organizations focus on key elements of portfolio management practices. Clear, focused, and time-boxed demand management practices and throughput-based resource management are essential. This report provides enterprise architect professionals with insight into continuous improvement and streamlining of the demand process to support the end-to-end process. See the Forrester report "[Managing Portfolio Velocity Is The Key To Accelerating Business Agility.](#)"
- ¹³ Source: "An Introduction to Design Thinking Process Guide," Institute of Design at Stanford (<https://dschool.stanford.edu/sandbox/groups/designresources/wiki/36873/attachments/74b3d/ModeGuideBOOTCAMP2010L.pdf?sessionID=9435c2b6ec2fd3386cee3ca7946c8a5290fb90bb>).
- ¹⁴ Responding to the demand for high-quality customer experience, firms are pervasively adopting Agile and taking on more initiatives. Unfortunately, when these digital initiatives scale, the lack of enterprise program management maturity quickly becomes evident. Consistent disciplines are essential, but past PMO failures make EA professionals leery. The modern PMO takes a center-of-excellence approach to strike the right balance: building competencies; delivering them in a lightweight, service-oriented approach; and stripping bureaucracy. See the Forrester report "[Increase Your Value: Become The Modern, Agile PMO.](#)"
- ¹⁵ CIOs must redefine technology management governance for planning, sourcing, and managing resources to support the business technology strategy. Customers' fast-changing, complex needs require continuous, rapid delivery that tests, learns, and responds. This report describes outcome management: funding outcomes with potentially variable resources. Outcome management goes beyond traditional demand management, which juggles competing projects and static resources. See the Forrester report "[Fund Business Technology Outcomes, Not IT Assets.](#)"

- ¹⁶Customer obsession has created a business environment of continual disruption. Constant change is forcing execs to recognize that traditional planning and delivery practices don't sustain the ability to focus on strategy while delivering new capabilities. To adapt to an environment where change is the new normal, PMO leaders and EA strategists are expanding Agile methods. Scaling Agile to the enterprise, however, requires significant process, organization, and cultural change. This report identifies best practices for tackling this challenge. See the Forrester report "[Scaling Agile To The Enterprise.](#)"
- ¹⁷Enterprise governance provides a path through the myriad decisions made across an enterprise. But the bulky, rigid, and slow-moving governance of the past fails to meet customer-obsessed firms' need to be customer-led, insights-driven, fast, and connected. See the Forrester report "[Rethink Enterprise Governance For Customer Obsession.](#)"
- ¹⁸Selecting the right strategies lies at the heart of the BT strategic planning framework. By involving business-savvy technology professionals in the discussion of business strategy, it is possible to identify new strategies and quickly kill unfeasible strategies. This research report lays out the process for developing strategy options and illustrates how IT contributes to the evaluation of those options. By involving IT early and getting IT's perspective on strategy choices, it's possible for business leaders to optimize strategy choice toward achieving business goals. This also ensures that IT has a much better understanding of the underlying business needs and issues, making it much easier to deliver the right level of technology to provide the expected business outcomes. See the Forrester report "[Use Business Capabilities To Optimize BT Strategy Choices.](#)"
- ¹⁹A new crop of emerging technology stands poised to unleash another cycle of raised consumer expectations, changing behaviors, and disruption. The stakes for CIOs are high — a wrong investment could put your firm out of business; make the right move, and you'll vault over your competitors. See the Forrester report "[The Top Emerging Technologies To Watch: 2017 To 2021.](#)"
- ²⁰As customer experience dominates business' strategic thinking, firms must efficiently coordinate their prioritized objectives, investment plans, and budgets to achieve outcomes while managing constant change. Road maps are the most common tool for this, but traditional life cycle and project-based road maps fall short. This report shows EA professionals how to design a road map for technology management strategy that will clearly show the impact on business outcomes and lays out the dependencies and investments needed to make it all happen. See the Forrester report "[Customer-Centric Companies Need Living Road Maps.](#)"
- ²¹Enterprise governance provides a path through the myriad decisions made across an enterprise. But the bulky, rigid, and slow-moving governance of the past fails to meet customer-obsessed firms' need to be customer-led, insights-driven, fast, and connected. See the Forrester report "[Rethink Enterprise Governance For Customer Obsession.](#)"
- ²²CX management is top of mind for many companies, but creating the broad organizational alignment necessary for long-term success is dependent on a well-coordinated CX program. For EA professionals to be an effective component of this program, they must become collaborative, gain an understanding of customer analysis, enhance their tools and techniques, and provide more agility during execution. This report provides EA professionals with a framework for becoming active and effective members of an extended CX team. See the Forrester report "[An Effective CX Transformation Needs EA Insight.](#)"

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