

From Business Transformation To Business Reinvention

Enterprises Built To Change Will Last

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Executive Summary

Today, change is the only constant. Companies which are able to master continuous change as a way to be faster, more nimble, and disruptive will come out the winners. Traditional competitive advantages derived from economies of scale, distribution strength and brand loyalty are far less potent than what it used to be. Rising customer expectations and advances in technology have fundamentally altered market dynamics. The speed of innovation and delivery required to remain competitive has dramatically increased, even as political and economic uncertainties remain an ongoing concern. ¹

The consequence of this is that business leaders grappling with ongoing uncertainty and volatility need to make their companies ready for continuous change. They need to shift from a focus on rigid operational processes that were built to last to orchestrating fast and agile systems that are built for continuous change, while still managing the costs in a highly competitive environment. Successful companies will differentiate by focusing on serving their customers and leveraging operational speed, agility, and scalability to continuously reinvent themselves.

“The sheer size and scale of innovation required for business transformation is extremely challenging in a world where time-to-market is critical.”

— CTO, Australia, Global Telecom major

Business leaders recognize that the only way they will be able to keep pace with change is to modify their organizational culture and encourage a more open, collaborative approach to innovation. But how do you create this culture and organization? What sparks teams and their leaders to change the way they innovate and develop a culture to deliver growth by improving the customer experience?

In January 2016, Infosys Limited commissioned Forrester Consulting to evaluate some of the key global challenges, drivers, and trends that businesses are facing as they try to adapt to continuous change. To explore this trend, Forrester conducted a custom study to identify key business trends, growth inhibitors, and innovative solutions being adopted across industries. The study included in-depth surveys with 250 senior business and technology executives in the US, the UK, France, Germany, and Australia. The study

participants are business and IT decision-makers and leaders within their organizations.

Key Findings

This study yielded a number of key findings:

- › **Technology-driven innovation significantly affects business priorities.** Technology has broken the traditional entry barriers as new-age nimble competition puts a foot in the door of the big boy's room. Firms are increasingly aware of technology-led business innovation and the rising importance of innovative collaboration networks and ecosystems to enhance the ever-increasing demands of customer experience.
- › **Business transformation is real, and adoption is pervasive.** Our study shows a strong commitment of respondents toward transforming their businesses. But business leaders have also realized that they no longer have power over their customers, and to survive, their business strategy must become customer-obsessed. Growth and improving the customer experience go hand in hand as top business priorities. This has begun to shape the future business models of blue-chip firms across industries.
- › **The simplification and rationalization of products/services as well as processes is a top priority.** For a company to thrive in times of ongoing change depends on the firm's ability to simplify the complexity of the business, remove silos, and focus on customer outcomes. Simplification will also support a more agile technology management organization while simultaneously reducing business risk. This will demand more flexible and highly secure technology architectures and platforms capable of continuously morphing to deliver new secure customer experiences.
- › **New innovative techniques will help to focus the business transformation on customer outcomes.** Today's innovation happens at the intersection of multiple functions, and firms will have to leverage external partners to create dynamic ecosystems of value across multiple channels. To successfully create value for customers in 2016 and beyond, firms will have to adopt an outside-in approach by making customer journey mapping and design thinking part of their standard toolkit and using agile delivery to "test quickly, learn fast." ²
- › **Firms leverage third-party assistance to bridge the lack of in-house skills and manage change.** Digital businesses connect customers and employees, forming

dynamic, cross-functional teams that aren't bound by traditional rules. This often demands breaking down existing rigid organizational structures and ramping up in-house skills of customer experience, data analytics, and so on. Often the change is best managed when driven from the outside in. Firms look to leverage third-party assistance through consultants, agencies, and systems integrators to help them bridge their skill gap, provide training assistance to their core functions, and offer change management expertise.

In Volatile Times, The Only Constant Is Change

Historically, every period of business disruption and growth was followed by a period of digestion and refinement. To sustain the cyclical nature of these economic upturns and downturns, businesses designed and implemented rigid operational processes that were built to last. Because customer behavior was predictable and brand loyalty was high, customer centricity was often not a major consideration. Products and services were still primarily designed from the inside out; product life cycles remained lengthy and complex; and operational business units like marketing, sales, production, distribution, and after-sales service operated in silos with minimal synergies and hardly any customer orientation. And virtually all relevant success metrics focused on internal efficiencies and cost.

While this setup might have worked in times of predictable business cycles, the dramatic rise in volatility around customer demand, geopolitical tensions, political change, and economic uncertainty is now forcing all industries to change the way they operate. Long-cycle planning and extended application delivery cycles are no longer responsive enough to deliver differentiating customer experiences while staying competitive. Customers have never had more competition for their attention, and brand

loyalties quickly drown in the flood of attractive alternatives. In a world dominated by software, products are more dynamic, change is continuous, and rapid delivery cycles are the norm. The race is on, and the competitors that are best able to deal with continuous change will win.

Business leaders must direct the change at embracing customer obsession, shortening the product life cycle, and evolving their current organizational structures and processes to sustain change and disruption. They will have to strive to become obsessed with serving customers and leveraging operational speed, agility, and scalability to continuously reinvent themselves.

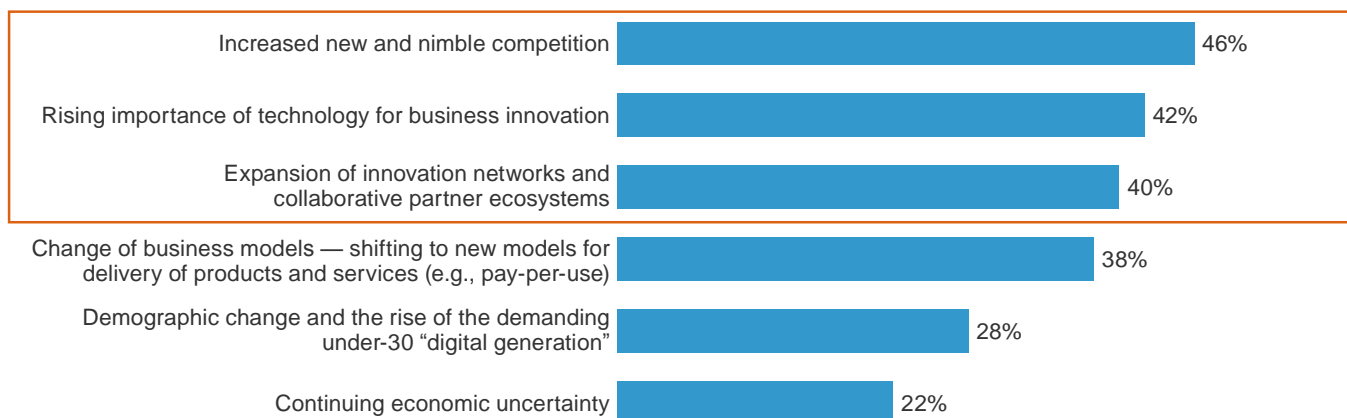
Our research clearly shows that the pressure to change to a more dynamic customer-obsessed operating model stems from the following key drivers:

- › **Disruption led by technology will be a dominant influencing force for the next three to five years.** Business leaders see technology disruption and nimble competition affecting their business priorities significantly. Our study shows that companies see increased new and nimble competition (46%), the rising importance of technology for business innovation (42%), and the expansion of innovation networks and collaborative partner networks (40%) significantly influencing their businesses in the next three to five years (see Figure 1).

FIGURE 1

Technology-Led Disruption And Rising Competition From New Players Are The Biggest Macro Trends Influencing Firms

“Please rate how the following trends will influence your company’s business over the next three to five years.”
(Rate on a 5-point scale from very low influence to very high influence; kindly rate all the options)
(High + very high influence in %)



Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

› **Rising customer expectations will drive core changes to business processes and organizational structures.**

Business transformation efforts will move beyond customer-facing veneers and go deeply into the business operations that drive growth. Meanwhile, business-to-business (B2B) industries will also start to close the digital gap with their business-to-consumer (B2C) peers, as they too are confronting rapidly rising customer expectations. In 2016, CIOs will face more sophisticated business demands, requiring deeper changes in the underlying composition, skill sets, and operations of their tech management organization. Companies will be driven to reduce the cycle time of their products and services, and CIOs will deploy more agile, fast-cycle approaches throughout tech management.³

› **Platform integration is leading innovation across broader ecosystems.** The ability to integrate technologies and systems not only internally within the company but also externally across partners, suppliers, and customers is critical to provide a true end-to-end customer experience. Business-savvy CIOs and customer-obsessed technology teams are critical to creating the kind of agile technology platforms needed to succeed. Companies will eventually need to rapidly source new digital capabilities to keep up with the competition.⁴

Business Leaders Understand The Challenge But Struggle With Execution

To become successful in times of constant change, companies need to drive the rapid transformation of their products and operations. This starts with the philosophical shift of putting customers at the center of everything companies do and gets underpinned by processes that are agile and quick enough to constantly re-align with the ever-changing customer requirements and market dynamics. This leads to the daunting challenge of skillfully orchestrating and managing change in organizational structures while creating a shared vision of success across functions within the organization (see Figure 2).

Our research shows that firms gain confidence in dealing with a constantly changing market environment — 40% of the firms interviewed have undergone business transformation, while 44% will undergo business transformation in the next 24 months. Another 10% are exploring options for undertaking transformation (see Figure 3). Business leaders have their task cut out to create more agile and nimble business processes. Our research points to clear next steps for the next 12 months: consolidation or rationalization of the enterprise portfolio (42%), implementation of collaboration capabilities (34%), and managing costs and reducing time-to-market by leveraging pay-per-use platforms and services (27%) (see Figure 4).

FIGURE 2

Change Management And Managing Customer Expectations Remain Top Challenges For Firms Undergoing Business Transformation

“Which of the following areas are or were challenges for your firm as part of its transformation?”
(Select all that apply)



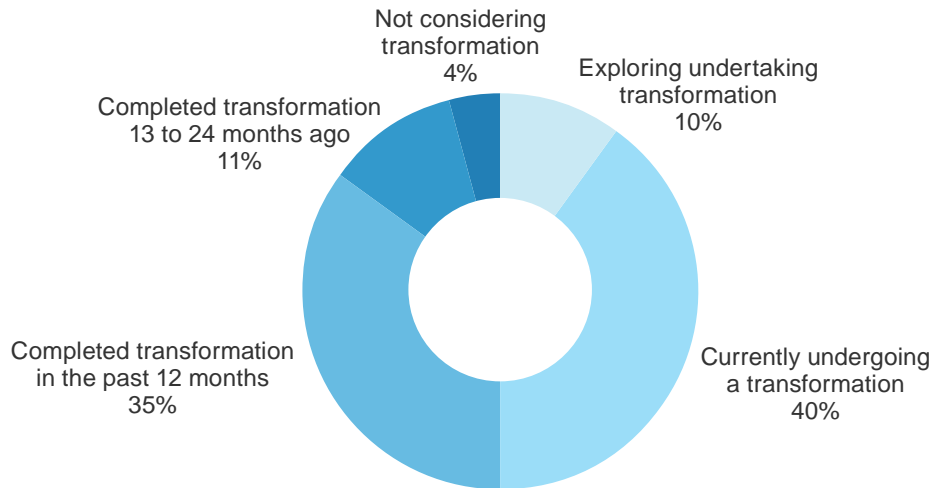
Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

FIGURE 3

The Majority Of Organizations Are Either Undergoing Or Have Undergone Business Transformation Across Industries

“Is your firm currently undergoing technology-led transformation? If not, has it recently completed one?”



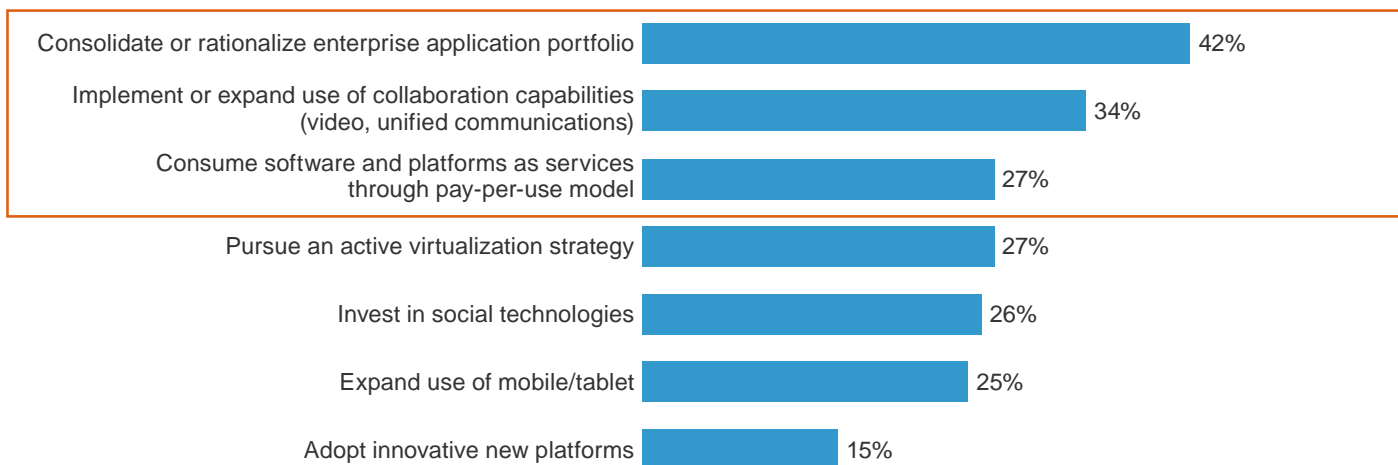
Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

FIGURE 4

Consolidation Of Enterprise Application Portfolio And Implementation/Expansion Of Collaborative Capabilities Are The Key Technology Priorities Over The Next 12 Months

“Which of the following initiatives are likely to be your IT organization’s top technology priorities over the next 12 months?”
(Critical priority in %)



Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

Looking more deeply, we see several transformation challenges occurring on a regular basis:

- › **Creating a shared vision and nimble cross-functional teams across the organization remains difficult.** As firms begin their transformation journey, they need to both train the existing staff in new skills and develop a culture to collaborate and sustain common objectives across functions. In a dynamic business environment, this poses several challenges, including a lack of available cross-functional skills, silos within the organization, and a lack of a shared vision toward a common objective.

“The emergence of hybrid teams resultant of old school process experts and new tech technology experts is here to stay.”

— **Head of products, large global banking player**

- › **Change management trumps technology as a critical success factor for business transformation.** The biggest challenge isn't the technology — it's the change in organizational culture and processes. The business and technology organizations have to act as one, and both sides need to open up to include the other in aspects of what they do. But when engineers try to communicate with the other business organizations by talking in acronyms about applications, servers, or networks, they end up alienating their business peers. It is no surprise that change management is reported as the biggest challenge for firms (reported by 57%) as a part of business transformation.⁵

- › **Keeping the customer at the center throughout the transformation journey is difficult.** Businesses understand that rising client expectations make customer experience their single most important differentiator. Customers' interactions with products, services, and digital touchpoints are now part of an experience ecosystem that defines customer value. But transformation remains a dynamic process involving internal cross-functional teams as well as external partners. As a result, 54% of our survey respondents said it remains very challenging for managers to keep the customer at the fulcrum of business decisions and customer experience at the pivot of operational choices.

Firms Need To Continuously Reinvent Themselves To Be Successful

In order to succeed in volatile times, companies need to foster a sustainable culture of dealing with and adapting to continuously changing customer requirements and market dynamics. Business leaders must adopt simplification, innovation, and digitization as integral components of their long-term business strategy and put the customer at the center of their ongoing innovation process.

In our research, we identified the following action items as critical priorities for companies:

- › **Reducing complexity is a key priority.** Respondents to the Forrester survey indicated that the simplification of product design/process is their highest-priority initiative for the next 12 months. In order to achieve simplification and rationalization, our survey respondents pointed to actions such as improving or simplifying the supply chain (66%), changing the product development process (51%), and redesigning or streamlining the current organizational structure (51%) (see Figure 5).

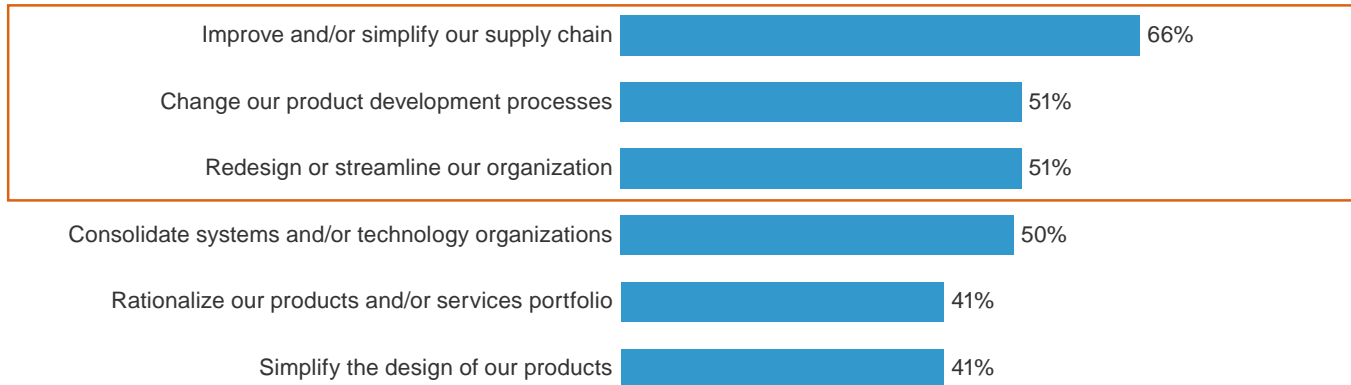
“The current focus is on simplification of existing legacy systems and processes to create a more unified platform for consumers.”

— **Head of investor relations, a large financial services player, UK**

FIGURE 5

Simplification Of Supply Chain, Product And Process Redesign, And Organization Streamlining Are The Top Methods Firms Look To Adopt While Simplifying Product Design And Processes

“You said simplification of product design and processes or rationalizing the organization’s landscape was a priority. Which of the following actions is your firm currently taking or planning to take to accomplish that?”



Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

› **Enterprises target “relevant” innovation to remain effective in a dynamic market space.** Firms understand that innovation must bear customer obsession and can no longer be treated as an isolated “ivory tower” within the organization. Fifty-one percent of the business leaders we surveyed are currently undertaking training on human-centric design methods to keep the customer at the center, while 50% reach out to specialized service providers for outside support in innovation (see Figure 6).

› **Firms look toward increasing flexibility by adopting leaner, faster methods.** Reducing time-to-market is critical for product design in a highly competitive technology-led environment. Firms look to invest strategically to increase the agility of the organization to support innovation (66%). Further, business leaders look to adopt lean startup practices and rapid prototyping techniques (51%) to compete and grow in the face of efficient nimble competition (see Figure 6).

› **Constant calibration is critical to drive success in business transformation.** Our research shows that companies consider the adoption of new innovative technologies and the reinvention of their existing systems or processes at the same time. Action items include investing in new cutting-edge technology platforms (69% of respondents), undertaking technology-led business transformation to digitize existing business functions (66%), and improving the existing infrastructure by

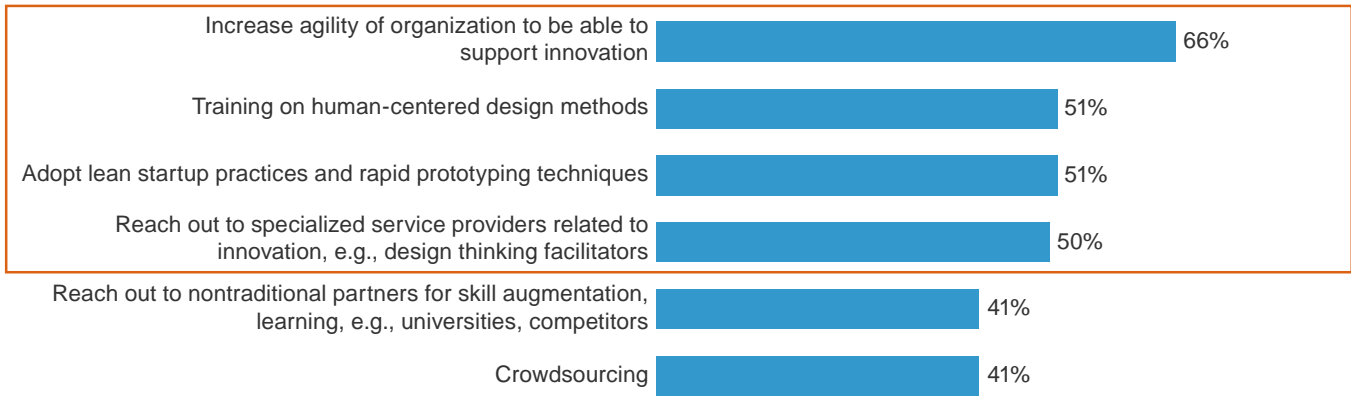
investing in current IT systems (51%); sizable investments will be made in defining and measuring quantifiable metrics to gauge the performance of digital investments (51%) (see Figure 7).

“Profitable monetization of legacy systems is a huge challenge in the current market, where consumer transactions are largely becoming contextual in nature.”

— CTO, large global telecom service provider

FIGURE 6**Firms Will Be Increasing Agility To Improve Ability To Innovate**

“You said improving ability to innovate was a priority. Which of the following actions is your firm currently taking or planning to take to accomplish that?”
(Select all that apply)

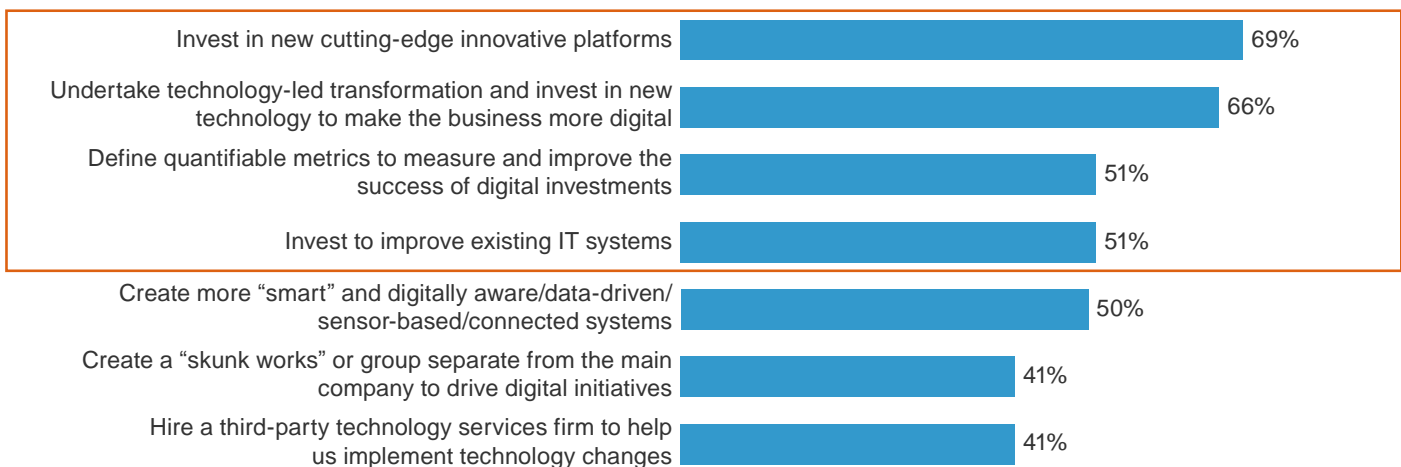


Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

FIGURE 7**Firms Look To Invest In Innovative Platforms And Tech-Led Innovation, As Well As Renew The Existing Infrastructure As A Part Of Their Digitization/Technology Strategy**

“You said creating a renewed digitization or technology strategy was a priority. Which of the following actions is your firm currently taking or planning to take to accomplish that?”



Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

Enterprises Rely On External Partners To Foster A Culture Of Innovation And Continuous Change

Within most organizations trying to master the required business transformation, there remains a significant skills gap. Even as the majority of companies embark on the less disruptive and more iterative transformation journey, they will still rely on external partners to meet their business goals. Our research shows that most business leaders are looking to leverage at least some third-party vendor capabilities over the next 12 months. In 2016, business leaders will use third parties to target creative problem solving at the cusp of business and technology (57%) and implement a technology change management program (56%) (see Figure 8).

To develop a winning strategy that adapts to the dynamic and always-changing market environment, firms will benefit by leveraging third-party vendors to:

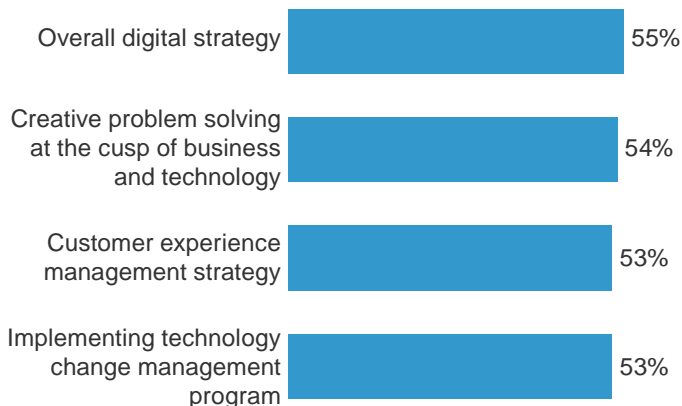
- › **Develop a customer-centric approach to business processes and operations.** CEOs and the board will step up to drive holistic transformation by fostering a customer-first mindset, creating simpler organizational structures, re-engineering business processes, and

reducing complexity of overlapping legacy systems. Firms will leverage design thinking (53%) and customer journey mapping (59%) to create a single view of the customer across business silos and create internal alignment to rethink and remodel business processes and redesign business operations through service automation of repetitive tasks (56%) (see Figure 9).

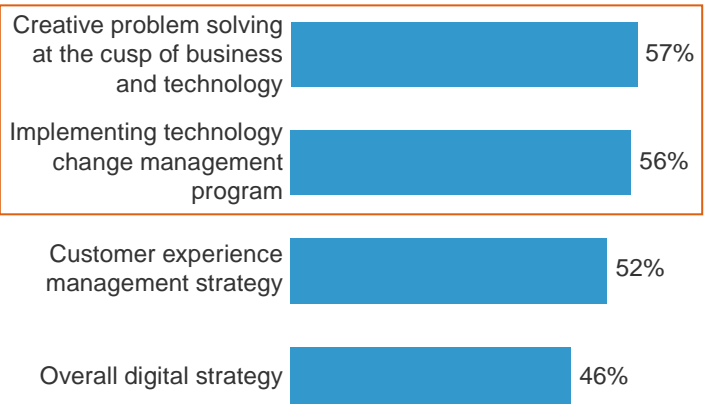
- › **Leverage deep vertical expertise of a third-party service provider to realign functional silos.** Firms will look to concentrate on integration, stability, and turning the back-office systems into platforms for systems of engagement. New government regulations often limit business leaders, but executives can still choose shortsighted responses focused solely on regulatory demands by implementing a response strategy to integrate silos within the organization. An independent, outside-in, vertically driven view will be required to realign existing business processes and remodel the organizational structure.⁶
- › **Leverage service orchestration to embrace an expanding ecosystem strategy.** A successful and sustainable business will excel at bringing an ecosystem together to provide the right solution to the right customer at the right time. Historically, businesses have operated in slow-to-change, proprietary business systems that often

FIGURE 8
Role Of Technology Services Firms Is Gaining Focus

“In which of the following areas has your firm used or do you expect to use technology service firms?”
(In the past 12 months)



“In which of the following areas has your firm used or do you expect to use technology service firms?”
(In the past 12 months)



Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

also created contractual or technical lock-in. But technologies like mobile, cloud, and APIs conspire to create the underlying business architecture of a new breed of ecosystems.⁷ These technologies are more flexible, scalable, and dynamic, and they focus obsessively on satisfying customer need through service orchestration and scalable platforms, often through an accelerated product life cycle.⁸

› **Make information accessible across business silos to foster cross-functional collaboration and innovation.**

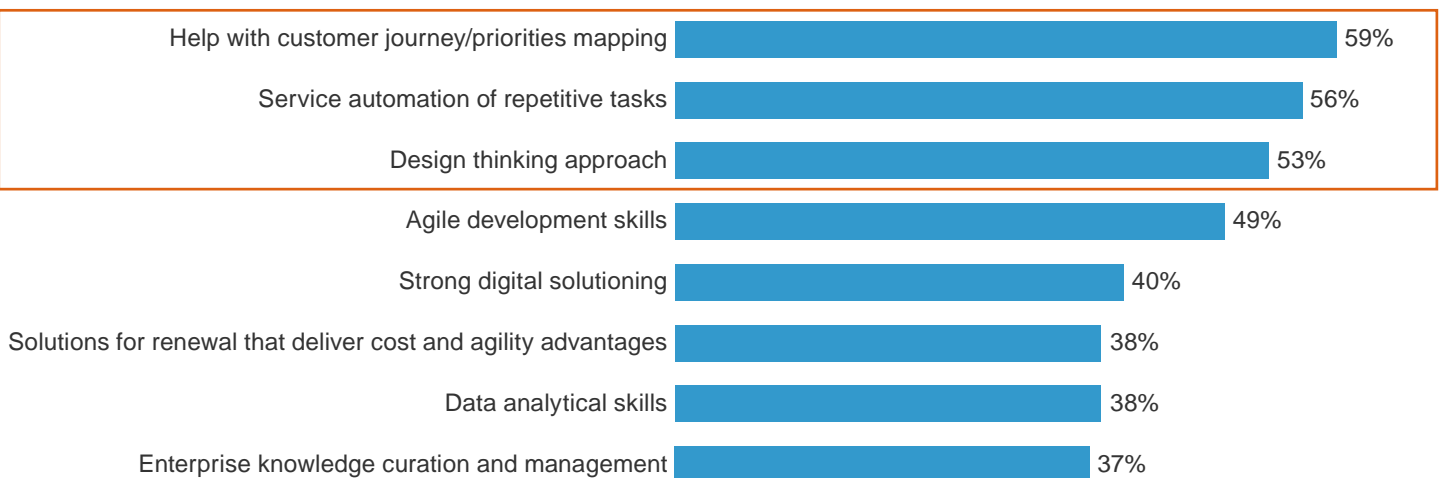
Successful firms will have to embrace a different approach to internal collaboration as a way to deliver value to their customers. The traditional operational silos will have to be replaced by new management clusters linked to customer journeys that measure success in terms of customer outcomes. For this to happen, firms must embrace an outside-in view that supplies invaluable information across business silos. Third-party service providers can provide critical tools to firms embarking on this journey. Firms must develop a mature environment that encourages information flow across functions and improves systems of insight, leading the way for collaboration and freeing the organization from a siloed approach toward innovation.

› **Integrate tools, processes, and systems to sustain change.** Since business transformation requires a radically different approach, having a strong change management process is essential for success. As companies work to stay competitive in an ever-changing environment, significant changes to business processes are essential to progress. But change doesn't happen without individual people changing their thinking, beliefs, and behavior — and both executives and employees can present real roadblocks to change management. Keys to such a plan include identifying the affected stakeholders, choosing a change management methodology, communicating throughout the project, continuously measuring progress, recognizing and rewarding results, and reinforcing change so that it becomes embedded in the company culture.

FIGURE 9

Adopting A Customer-Centric Approach Will Help Firms Manage Transformation Better

“Which of the following do you think will help your firm manage transformation better?”



Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

Key Recommendations

Firms need to constantly adapt to increasingly powerful customers and nimble niche competition, or they will not only face near-term disruption but also risk their long-term viability. To cope, business leaders and CIOs must help their firm shift to an outside-in perspective focused on the customer and adapt new design methods that are often already familiar to their digital and product teams. At the same time, in the face of increasing competition, businesses must deliver innovation faster to the market by adopting methodologies that are geared toward customer needs and expectations. Successful companies will institutionalize these change requirements to foster sustainable innovation by:

- › **Overcoming structural barriers through shared teams to drive customer-centric collaboration.** The journey to business success in times of constant change is a radical overhaul of culture, organizational structures, and operating models. You can no longer have high complexity and high innovation. Business leaders need to step in and drive a holistic transformation that fosters a customer-first mindset, creates simpler organizational structures, re-engineers business processes, and refactors complex overlapping legacy systems. To be customer-obsessed, firms need to relinquish "boxes and lines" of age-old organizational structures to reinvent the organizational culture and adopt new attitudes and paradigms. Success will favor firms that break down functional silos in favor of a leaner, more agile structure that encourages cross-functional collaboration and teamwork on behalf of customers. Firms need to be more agile and drive cross-functional collaboration to sustain a digital culture that supports evolving customer expectations.
- › **Encouraging digital ecosystems to drive innovation across the value chain.** CIOs want to harness insights to deliver innovative products and services and thus improve the customer experience and address growing customer expectations. To do so, they need systems of insight — the business discipline and technology to harness insights and consistently turn data into action. Systems of insight aggregate information from other "systems" across the organization and the partner network. In order to extract optimal results, CIOs must build technology capabilities to enable new partnerships with other ecosystem suppliers, so that both companies together become more valuable to the customer. Such an extended ecosystem will drive innovation by providing platforms for the implementation of innovative techniques and processes across the value chain and creating an environment for horizontal collaboration and feedback. With the continuous exchange of information and the collaboration around data, businesses will drive faster innovation, more efficient production, and more agile go-to-market activities.
- › **Avoiding the speed gap by transforming front-end and back-end systems at the same time.** Many CIOs still believe in the myth that back-end systems can be left as they are. While some systems may change less frequently, they still need to evolve quickly when they do change. Customers' expectations necessitate the streamlining of operational processes and systems to align with highly dynamic and intertwined customer journeys. And without the simplification and modernization of core operational systems in areas like supply chain management and core banking, companies will be forced to use manual process workarounds to meet the needs of customers, which will drive up costs and hurt margins. CIOs will have to simplify the old environment while, at the same time, embrace more modern architectures and approaches like cloud, microservices, and open source. This will accelerate the phasing out of on-premises approaches while driving a parallel shift to lower-margin approaches.

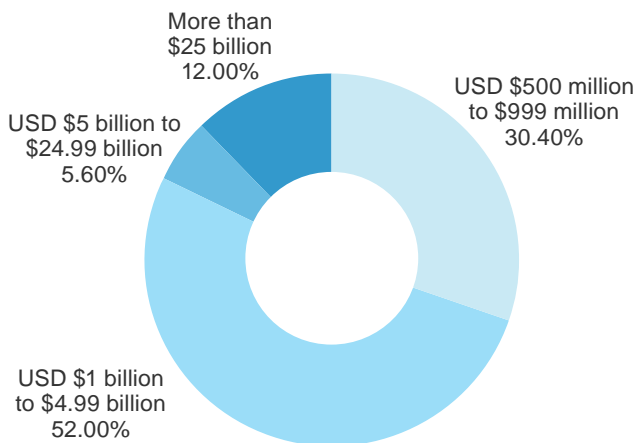
Appendix A: Methodology

In this study, Forrester conducted an online survey of 250 business leaders in the US, the UK, France, Germany, and Australia to evaluate key business trends, growth inhibitors, and innovative solutions. Survey participants included decision-makers and business leaders in business or IT roles. The study began in January 2016 and was completed in February 2016.

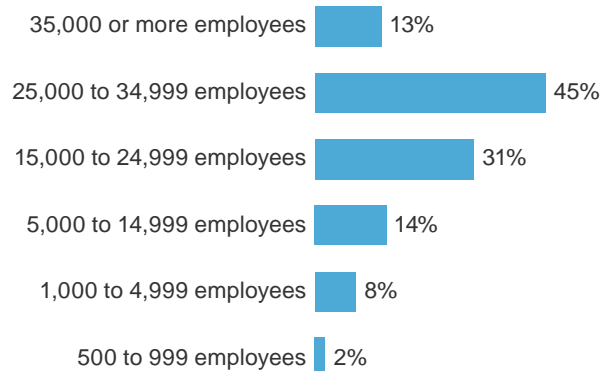
Appendix B: Supplementary Graphs And Demographics

FIGURE 10
Organizational Structure — Company Size By Revenue And Employees

“With regards to your organization’s global revenue in the last fiscal year, in which revenue range does it fall into?”



“Using your best estimate, how many employees work for your firm/organization worldwide?”



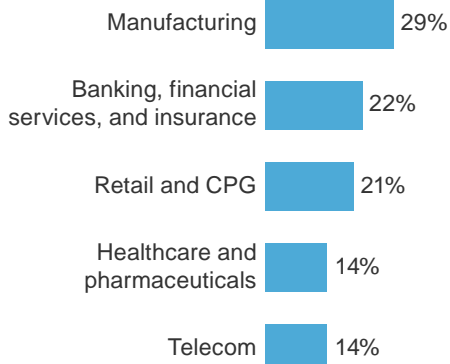
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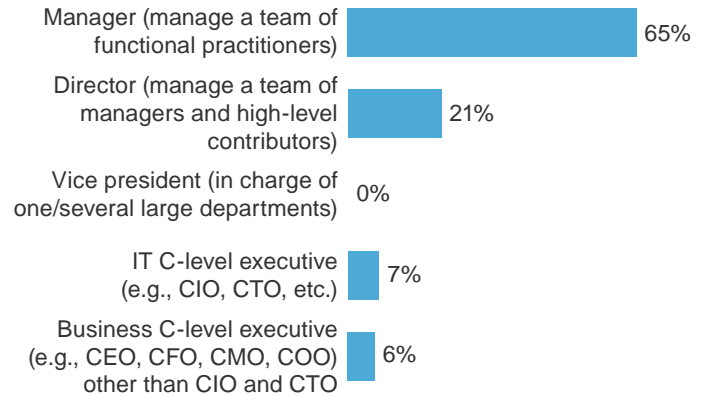
Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia
Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

FIGURE 11
Demographics — Industry, Position, And Department

“Which of the following best describes the industry to which your company belongs?”



“Which title best describes your position at your organization?”



“Which of the following most closely describes your current department? If you work for multiple groups, please choose the one you work in most frequently.”



Base: 250 business and IT decision-makers and leaders in the US, the UK, France, Germany, and Australia

Source: A commissioned study conducted by Forrester Consulting on behalf of Infosys, February 2016

Appendix C: Endnotes

¹ Source: "Predictions 2016: The New Breed Of CIO," Forrester Research, Inc., November 2, 2015.

² Source: "Develop Broad Tech Management Capabilities To Accelerate Your BT Agenda," Forrester Research, Inc., March 4, 2015.

³ Source: "Predictions 2016: The New Breed Of CIO," Forrester Research, Inc., November 2, 2015.

⁴ Source: "How Ecosystems Fuel Digital Business," Forrester Research, Inc., October 20, 2015

⁵ Source: "CIOs' Top Five Career-Ending Digital Transformation Challenges," Forrester Research, Inc., August 10, 2015.

⁶ Source: "The Key Success Factors Of Digital Business Strategy, 2016," Forrester Research, Inc., March 1, 2016.

⁷ Source: "How Ecosystems Fuel Digital Business," Forrester Research, Inc., October 20, 2015.

⁸ Source: "Customer-Obsessed Businesses Need Digital Ecosystems," Forrester Research, Inc., February 12, 2016.