

A Forrester Consulting
Thought Leadership Spotlight
Commissioned By Cognizant
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The Tech Sector Inflection Point: Winning Customers With A Digitally Fused Enterprise

Introduction

It's no secret that customer expectations are higher than ever. Every business that is serving up slick digital experiences to entertain, enhance, or add value to customer journeys increases the competition. But, if the assumption is that technology companies are better poised than other industries at designing and deploying innovative customer experiences, think again.

To keep up with today's digitally savvy consumers, businesses must become more agile and customer-focused than ever. Yet, digital transformation at many technology companies has stalled. While initial investments typically focus on low-hanging fruit — front-end, customer-facing processes — far less focus has been put on the back-end processes that support these experiences. Successful transformation requires that firms transform their entire enterprise with a cohesive, tightly integrated approach across the organization. We call this enterprise fusion.

In 2018, Cognizant commissioned Forrester to test the hypothesis that a company's digital transformation will succeed best when two conditions are met: 1) when the transformation spans the enterprise from customer touchpoints all the way to fulfillment and beyond and 2) when leaders take a fused, non-siloed approach to this transformation. In 2019, Cognizant asked Forrester to replicate the 2018 study, with a spotlight on the technology sector (including hardware, software, and internet/platform firms). This research included 60 technology companies with revenues of \$1 billion or more.

This spotlight highlights what a fused enterprise is and how it delights customers and drives business growth. It shows that while the technology sector is further along in its transformation journey than several other industries, there are still glaring gaps in strategy and hurdles to overcome in delivering on customer experience priorities.

Click [here](#) to read the 2018 study:

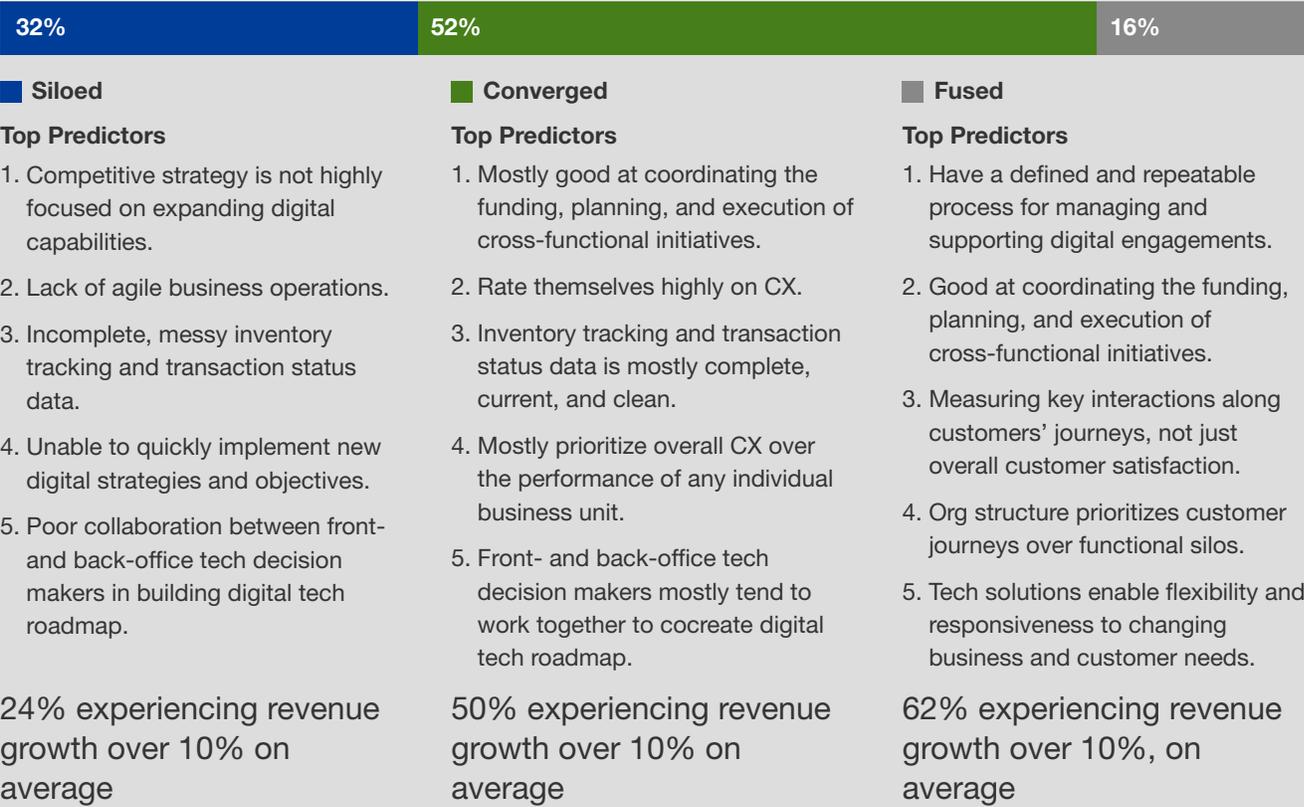
“Enterprise Fusion: Your Pathway To A Better Customer Experience”

Defining Enterprise Fusion

While the term “digital transformation” is certainly not a new concept, it is more relevant now than ever. The long-term transformation objectives of the technology industry are to improve customer experience and increase revenue, while simultaneously increasing productivity and reducing cost. However, companies will be challenged to meet these goals given current investments. We found in the 2018 study that companies invest primarily in the last mile of the customer experience — prioritizing investments in projects that narrowly focus on the front-end processes serving customers. Meanwhile, they put strategic investment in digital enterprise integration on the backburner.

We found that firms able to “fuse” front- and back-end processes for seamless customer delivery have seen greater revenue growth over the past two years. Enterprise fusion is defined by the degree to which a company has integrated processes, organization (or culture), technology, and data insights to drive successful, customer-centric outcomes with digital transformation. Our study determined that a company’s level of fusion ranges from siloed (least integrated), to converged, to fused (most integrated). The study found that fused firms are 2.5 times more likely to report double-digit revenue growth than siloed firms (see Figure 1).

Figure 1: Attributes Of Enterprise Fusion Maturity (from the 2018 cross-industry study)



Base: 517 decision makers across IT and LOB involved in enterprisewide digital transformation initiatives
 Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

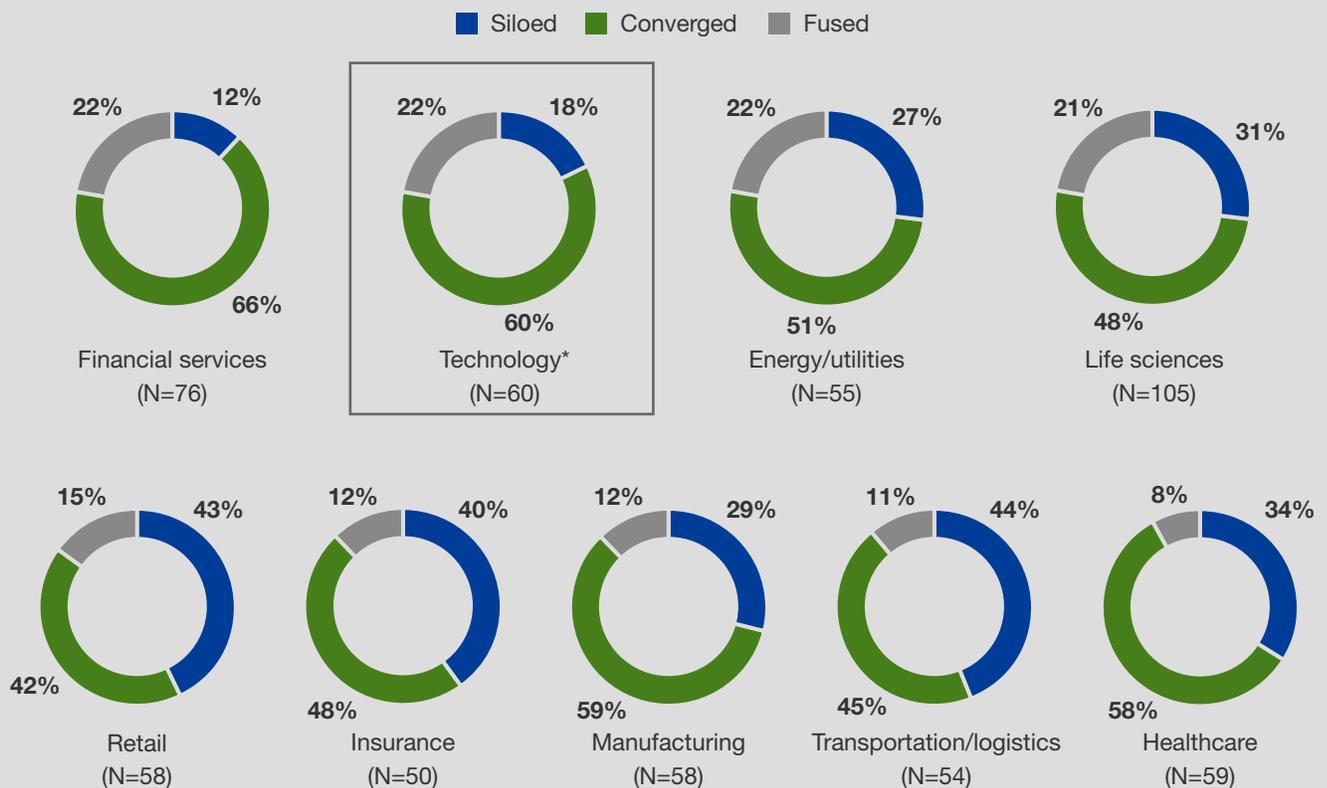
THE TECHNOLOGY SECTOR IS AMONG THOSE LEADING THE MOVEMENT TOWARD ENTERPRISE FUSION, BUT THERE IS STILL A LONG JOURNEY AHEAD

We found that fusion maturity in the technology industry varies, as 22% are fused, 60% are converged, and 18% are siloed. This distribution makes technology one of the top industries in terms of enterprise fusion (see Figure 2). However, the distinction means little — nearly 80% of technology companies still struggle to achieve enterprise fusion, and they are no further ahead than the energy, utilities, financial services, or life sciences industries.

In this Spotlight, we highlight the top three priority actions all fused firms are taking to outperform others. We then assess how well the technology sector is delivering on them. Fused firms:

- › Elevate customer experience (CX) to a strategic priority backed with senior executive sponsorship.
- › Make operational functions a cornerstone of digital strategy, coupled with change enablement.
- › Use data insights to spur innovation.

Figure 2: Technology Companies Are Among The Top Two Leading Industries When It Comes To Enterprise Fusion



Base: 517 decision makers across IT and LOB involved in enterprisewide digital transformation initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

*Base: 60 decision makers across IT and LOB involved in enterprisewide digital transformation initiatives for technology companies

*Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, May 2019

Improving CX Is The Catalyst For Change, But Most Tech Companies Haven't Delivered Yet

As technology firms continue to transform their businesses, CX is a primary driver of strategy and investment. To enhance CX, firms must first focus on positioning their customer experience as a strategic business priority. Over 50% of surveyed technology companies have already positioned CX as a strategic priority with programs in place that leverage customer insights. An additional 28% are focusing on CX as an emerging priority by building more formalized experience programs. Many technology firms (65%) have also created senior-level sponsorship of CX initiatives by having a chief customer experience officer (CCEO) or equivalent.

Technology firms recognize that differentiation is not only a matter of products and features, but also of how customers experience those products and features — 83% of surveyed technology firms strongly believe that their CX capabilities heavily contribute to their ability to stay competitive. Despite this, few tech companies feel they are differentiated enough. Just 13% of respondents consider themselves ahead of the competition, and over 30% consider the quality of their CX to be behind their competitors. Clearly there is substantial opportunity for improvement.

CHALLENGES

Decisions that affect customer experience must be based on customer insights — what they need, want, and act on. To make effective CX decisions, business leaders need proper visibility of and access to their customer data. However, data quality is a significant challenge — nearly half of surveyed technology firms said data quality was one of the biggest challenges they faced in managing their customer experience programs. In fact, quality is *the* top data challenge, with over 20 percentage points more common than other challenges, such as data volume and data privacy. Often these data challenges are intensified by both technology and process silos that prevent both front- and back-office teams from accessing the data they need to surface actionable insights.

RECOMMENDATIONS

Across the front and back offices, every employee ultimately serves the customer. However, most organizations don't fully understand how. Creating small, cross-functional, agile teams to map the customer journey — including the systems, processes, and roles that support and impact each touchpoint — is a good first step. This approach will help identify the key silos preventing or corrupting necessary data from helping personalize experiences. This approach can help establish collaborative ways of working that are necessary to a fused enterprise. Core inputs into decision making should include voice of the customer programs, paired with customer data and analytics.

True Transformation Must Begin With The Back Office

Technology firms recognize that successful CX requires a strategy that incorporates both front-end, customer-facing improvements, as well as back-end, operational process and technology improvements. However, while 85% of technology firms report back-end processes (e.g., supply chain and operations) do play a critical role in delivering on customer needs and requests, only 48% identified enhancing back-end processes as a top priority.

To better address this gap, many decision makers said that going forward, they are putting greater strategic focus on holistic digital transformation (48%). Forty-seven percent will focus on enabling the back office to support front-office processes, and 53% will increase investment in back-end technology. Though still nearly half of technology firms are not yet making these changes, it's encouraging to see much of the tech sector begin to connect the dots.

CHALLENGES

Technology firms grapple with technical and organizational challenges as they strive to fuse their enterprise. Among these are front-line deterrents, such as inadequate budgets and cultural resistance to change, as well as back-end challenges like outdated technology and data quality issues. These challenges can impede firms' progress toward a fused enterprise and create inconsistent experiences across channels — an obstacle for 42% of technology firms surveyed (see Figure 3). The data also highlights that companies cannot simply focus on technical improvements, as enterprise fusion also requires change enablement to enhance cultural adoption.

RECOMMENDATIONS

Fused firms recognize that new digital tools and front-end innovation will not succeed with siloed back-end technologies and platforms. Leading companies are aggressively modernizing technology by implementing cloud- and microservices-based platforms, rather than replacing the entire tech stack. This builds a technology core that drives agility and is responsive to evolving business needs.

But technical agility is only one part of the equation; companies must also invest in the human side of the business. People can act as either a significant barrier or terrific enabler to their organization becoming fused. As companies look to break down silos and drive a more holistic transformation strategy, they need employee support. As a result, decision makers should pay attention to the internal and cultural implications that come with any new change.

Figure 3: Technology Firms Face Both Organizational And Technical Challenges With Being Fused

Organizational



38% have inadequate budgets



32% have difficulty proving ROI



30% face cultural resistance

Technical



45% have outdated technology



42% are unable to deliver consistent CX



40% have data problems

Base: 60 technology decision makers involved in enterprisewide digital transformation initiatives

Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, May 2019

Technology Firms Are Data Rich, But Lack Actionable Insights

Fused companies are adept at creating new sources of customer value and upgrading digital skills by leveraging new or improved capabilities. Most surveyed technology firms do a great job at collecting data to inform improvements, i.e., over two-thirds of companies leverage data from front- and back-end processes, as well as partners. More promisingly, 85% of technology firms are constantly looking for ways to use data analysis and insights to innovate and disrupt themselves. These new opportunities might include: implementing the internet of things (IoT) to make products more digital and connected; moving applications to the cloud to enable greater agility; and working with business partners to create new sources of value for customers (see Figure 4).

CHALLENGES

It's not a simple lack of data that is the problem for most technology firms. Their main challenge is with data quality (as mentioned earlier in relation to CX) and with extracting data insights to inform decisions and improve the business — only 37% of surveyed technology firms say they do this well. Another part of the problem is that due to organizational silos, many technology firms have an incomplete view of their data — and hence their customers. For example, less than half of surveyed technology firms felt strongly they can measure how channels and departments work together.

Forty percent of technology firms are building new generations of digital platforms for customer-facing systems. These companies must ensure they have the mechanisms and tools in place for data gathering and the ability to integrate data insights across the organization. A complete view of organizational front- and back-end processes will better enable companies to implement valuable changes and help spur innovation to grow their business.

RECOMMENDATIONS

Firms struggling to become fused often face a conundrum on data quality. Technology silos create multiple repositories of data which produce disparate views of the customer. These disparate views result in conflicting decisions that make it more difficult for companies to become fused. High quality, well-managed data matters, and it only grows more critical as new technologies like AI and automation are increasingly needed to help drive operational improvements.

Figure 4: Technology Firms Are Innovating In Various Ways

-  Implementing internet of things (IoT) to make products more digital and connected
-  Moving applications to the cloud to enable greater agility
-  Working with business partners to create new sources of value for customers

Base: 60 technology decision makers involved in enterprisewide digital transformation initiatives
Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, May 2019

Key Recommendations

The early days of digital transformation were about recognizing the role and importance that technology plays in helping companies operate more cost effectively and with greater agility. Today, the shift of digital transformation is squarely focused on the customer — and rightfully so. As technology companies continue to advance their transformation journeys, front-end digital investments must be integrated with back-end systems and processes to form a truly digital and fused enterprise. Technology firms are taking steps in the right direction, but many still struggle with getting the right data and technology foundation in place to support the growing set of front-end digital experiences. To progress on their journey to becoming a more fused enterprise, technology firms must focus on four things:



Keep customer experience as the north star for digital transformation. Connect the organization around the customer journey. Fusion requires a central point of focus, i.e., the customer.



Focus operational spend on improvements that will help deliver on customer needs. Invest in back-office processes and harness the value of data to drive business improvements and innovation to support better customer experiences.



Create a modern technology foundation that reduces silos and enables agility. Digital transformation must be embraced holistically to fully realize its benefits. Put the right pieces in place to enable your organization to drive continuous improvements.

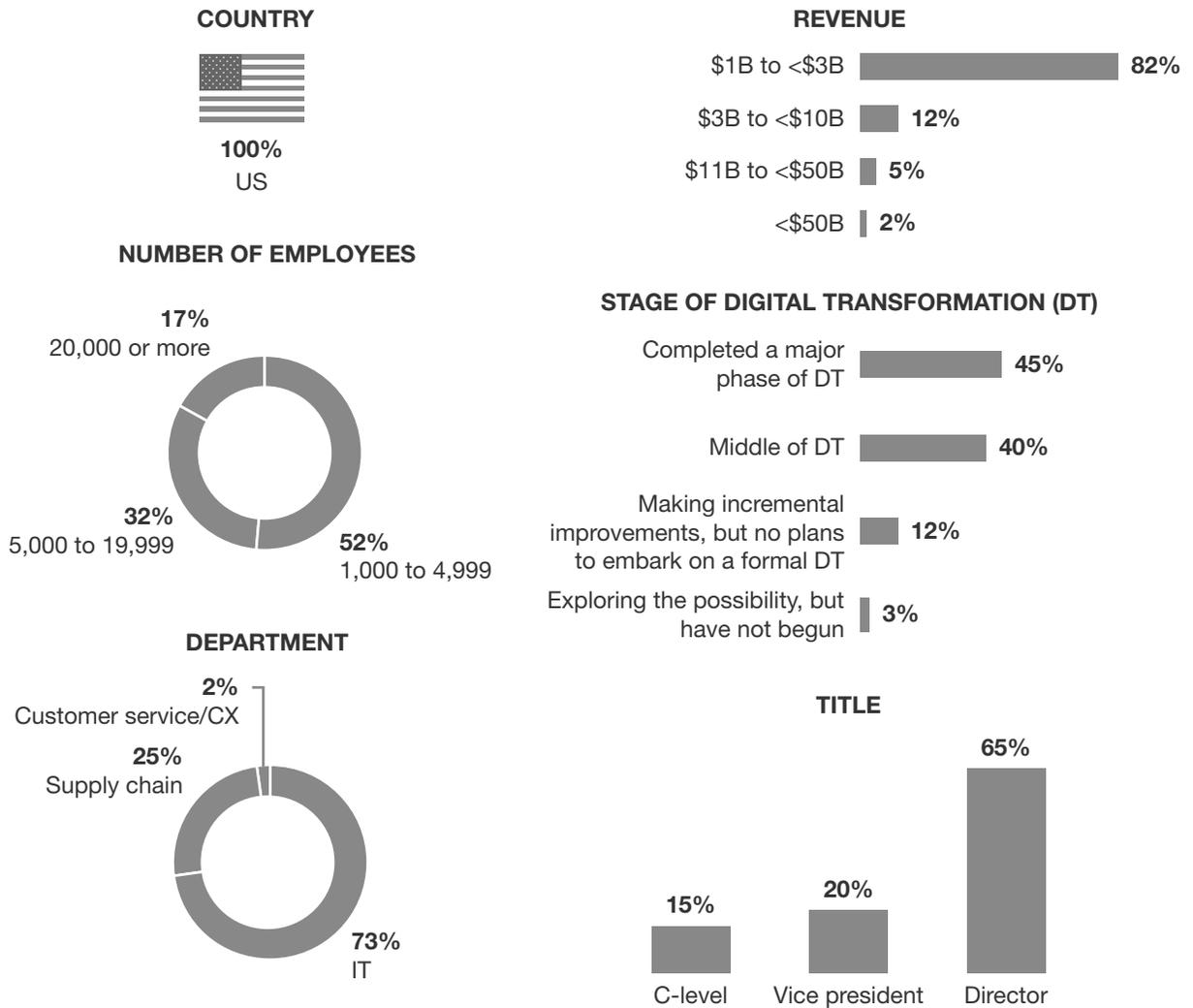


Create and nurture a company culture that embraces change. Technology and process changes mean nothing unless employees use and embrace them. Put time into executive communication and change enablement to ensure your digital initiatives stick.

Appendix A: Methodology

In 2019, Forrester conducted an online survey of 60 IT and line-of-business (LOB) decision makers in the US from technology firms with over \$1B in annual revenue. Survey participants included decision makers in IT, supply chain, operations, customer service, finance, and advertising or marketing. Questions provided to the participants were duplicated from a 2018 Forrester survey of 517 IT and line-of-business (LOB) decision makers in the US and UK across eight industry segments. Respondents in both surveys were offered a small monetary incentive as a thank you for time spent on the survey.

Appendix B: Demographics/Data



Base: 60 technology decision makers involved in enterprisewide digital transformation initiatives
 Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, May 2019

For more information, read the entire report: “Enterprise Fusion: Your Pathway To A Better Customer Experience”

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