

Predictions 2015: CIOs Accelerate The Business Technology Agenda

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WHY READ THIS BRIEF

In 2015, digital disruption will change the nature of competition, forcing firms to obsess about creating superior digital experiences across the entire customer life cycle. Many CIOs have the technical expertise and cross-functional business purview to help drive this level of innovation, but they are too often still seen as nothing more than the leader of a cost center. In 2015, CIOs will finally connect their team's technical and business know-how to the CEO's focus on company growth and customer obsession by accelerating their firm's business technology (BT) agenda and establishing themselves as a digital business leader. It's a tall order, and not all CIOs are up to the challenge. In this report, Forrester predicts three key things that successful CIOs will do in 2015 to lead their firm's digital transformation.

CIOs DRIVE CUSTOMER OBSESSION INTO TECHNOLOGY MANAGEMENT

In 2015, companies that successfully harness digital technology to advantageously serve customers will create clear competitive separation from those that do not. Rapidly evolving customer expectations will continue to drive changes across all facets of business. Both consumer and business customers increasingly expect real-time access to connected product and service information. These expectations not only define customer engagements but also ripple throughout the supply chain — shortening product cycles, requiring more agile operational capabilities, and creating opportunities for new, disruptive digital services.

Many CIOs have the technical expertise and cross-functional business purview to help drive digital innovation, but they are too often still seen as the leader of a cost center. In 2015, it's time to connect that technical and business know-how to the CEO's focus on company growth and customer obsession.

Prediction No. 1: CIOs Accelerate The Business Technology Agenda

Accelerating digital business opportunities in 2015 will drive the majority of CIOs to focus more investment on their firm's BT agenda — the to-do list across roles for applying technology, systems, and processes to win, serve, and retain customers. Time is of the essence as firms race to differentiate on customer experience. To accelerate their BT agenda in 2015, CIOs will:

- **Spend the majority of their new project budget on BT.** In 2015, BT agenda technologies will consume over half of new project purchases, with overall BT spending rising by 10% or more per year.¹ CIOs in industries like industrial products, insurance, and media will spend the largest proportion of their budget on their BT agenda, while CIOs in education, healthcare, telecommunications, and transportation will struggle to devote enough spending to BT.²



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- **Embrace customer-focused governance models for the BT agenda.** Customer demands require responsiveness and rapid continuous improvement — work that is understood only a short time before it is to be delivered. Funding for and delivery of this variable work can't be determined a year — or years — in advance, so governance models will become more flexible in the short run. CIOs will measure the impact of their BT agenda based on the impact on the customer — and not the execution of some project or other piece of tech management work.³
- **Boost software engineering skills to improve brand experience.** To build the software that drives customer interactions, connected products, and mobile services, CIOs will make customer experience the design point, with Agile development, modular platform architectures, and software-driven release and configuration management that support continuous delivery.⁴ In 2015, CIOs will increase their investment in the required skills and technologies, and a growing number of them will create separate software engineering groups with the profile, skills, and metrics of nimble commercial software firms.
- **Embrace hybrid cloud architectures to drive simplicity and time-to-benefit.** The BT agenda focuses on systems for engaging with customers. As a result, in 2015, the overwhelming majority of CIOs will accelerate the standardization and simplification of systems of record, moving nondifferentiating processes to commercial off-the-shelf solutions. Some of these systems will be internally delivered, but more will be provided by external suppliers. For example, as General Electric switches to more cloud-based applications and decommissions internally managed software, it plans to shut down most of its 32 data centers over the next five years and instead leverage hybrid clouds.
- **Cut through organizational silos with service orchestration.** Individual functions like marketing, manufacturing, and field service are becoming more intimately connected as digital technologies permeate operations in service of connected customers. In 2015, CIOs will increasingly help mediate customer engagement through business services orchestration, using a model Forrester calls continuous business services — thin layers of technology and process, constantly changing to smooth the chaotically different cadences of business change.⁵ This services orchestration will digitally and operationally build upon existing technology, systems, and processes to meet customers' needs.

Prediction No. 2: CIOs Unlock Data-Driven Business Opportunities

Success in the age of the customer is predicated on the ability to transform disparate touchpoint data into an end-to-end view of customer behavior. CIOs are in the best position to aggregate and orchestrate a broad data strategy for the business — including data protection. In 2015, CIOs will:

- **Transform data into a product or service that drives new revenue.** In 2015, CIOs will mix existing internal data that they already control with the vast and growing array of external, third-party data from sensors, social media, open or public data, and mobile device and

location-based data to help create new data services, resulting in new sources of revenue. Sensor-embedded tractors already generate data that powers John Deere's FarmSight service. Similarly, Citi sells insights into customer behavior that help to identify new markets.

- **Run point on rising data security and privacy issues.** With a data tsunami about to flood companies, data security and privacy concerns will rise dramatically in 2015. CIOs will lead the effort but will need to reach beyond tech management to ensure that it is a top enterprise business issue. Relatedly, privacy questions regarding ownership of data are attracting more attention. In 2015, CIOs will work with business peers to proactively manage data's security and privacy impacts on their firms' behaviors and brands.
- **Stretch their data strategy and orchestration skills.** In 2015, the strategic focus on data opportunities will also shift the skill requirements for the CIO's organization. Consulting, design and integration, planning and architecture, vendor management, and security skills will eclipse more traditional hardware configuration and system maintenance skills.⁶ This is due in part to increased use of software-as-a-service and greater consolidation of infrastructure. But this also reflects the increased importance of innovation, growth, and data protection.

Prediction No. 3: CIOs Make CDOs Unnecessary

2015 will be a defining year for the CIO's career. As businesses pursue digital transformation and customer obsession, their CIOs will build their reputation as a digital innovation leader. In 2015, CIOs will:

- **Turn fledgling relationships with CMOs into functional partnerships.** As CEOs begin to understand the impact of the age of the customer, they will expect their CIOs to work side by side with the other business leaders — especially chief marketing officers (CMOs) — in leading the transformation to digital business and customer obsession. Most CIOs worth their salt have already forged a relationship with their CMO. For 2015, we expect those relationships to turn into collaborative partnerships that surround customer insights with the right processes and technology systems. Already CMOs and CIOs in leading firms like adidas and Caterpillar have merged their unique competencies to form a partnership with shared goals and business results.
- **Become leaders of digital change — or be usurped.** Somebody has to be in charge of increasingly connected and dependent technology for the enterprise. Fast-cycle, tech-based innovation the drives a coherent, cross-channel digital experience is crucial to succeeding in today's markets. Although some firms have appointed a chief digital officer (CDO) to lead that effort, 2015 will be the year that CIOs — in partnership with CMOs — prove that the CDO role is unnecessary. Are all CIOs up for the challenge? No. But in 2015, any CIO who isn't will be replaced by one who is.

ENDNOTES

- ¹ The BT agenda also includes middleware for security, app development, integration, and database management that directly supports these applications, as well as mobile devices, kiosks, and similar hardware, plus proportionate shares of tech consulting and systems integration services and tech outsourcing tied to BT software. All told, we estimate that by 2017, the BT agenda will rise to 31% of all purchases of technology goods and services by US governments and businesses. More importantly, BT agenda technologies will consume over half of new project purchases by 2015, with overall BT spending rising by 10% or more per year. The remaining information technologies will still be important as the foundation for the BT agenda, but they will grow slowly. See the October 14, 2014, [“Sizing The US CIO’s Business Technology Agenda”](#) report.
- ² Forrester’s US tech market outlook for 2014 and 2015 provided general guidance for US CIOs. But every firm operates in a specific industry. So, in this report, we provide our outlook for tech budget spending for our 20 industry groups. This report will help CIOs understand the tech spending prospects in their industry and what they need to do to keep up with or get ahead of their competitors, especially in their pursuit of the business technology (BT) agenda of technologies for winning, serving, and retaining customers. See the October 22, 2014, [“US Tech Spending By Industry, 2014 To 2015 — Which Industries Will Lead The BT Charge?”](#) report.
- ³ Forrester developed its IT Balanced Scorecard for CIOs almost a decade ago, based on the original Balanced Scorecard framework proposed by Robert S. Kaplan and David P. Norton. Over the years, we have worked with hundreds of CIOs to apply the IT Balanced Scorecard to measure and communicate IT value and performance. But as we enter the age of the customer, where powerful customers are disrupting every industry, companies will have to change how they develop, market, sell, and deliver products and services to their customers and through their partners. CIOs and their teams are crucial to these strategic responses and will have to track transformation and performance with new metrics to go beyond their traditional IT agenda to include business technology (BT) — technology, systems, and processes to win, serve, and retain customers. This research introduces Forrester’s new Tech Management Balanced Scorecard, which incorporates both the IT and BT agendas for CIOs. See the May 5, 2014, [“Forrester’s New Tech Management Balanced Scorecard”](#) report.
- ⁴ Application delivery in the modern age no longer plays a supporting role; it is center stage. Business success in the age of the customer means mastering modern application delivery. Speed in developing and delivering innovative applications is becoming essential to the success of businesses in any industry. These applications are not the enterprise apps of old: back-office support functions focused on cost savings and operational support. They are now customer-facing, multichannel, interconnected revenue engines that evolve as fast as organizations can field them. Forrester’s modern application delivery playbook charts the course toward mastery of delivering modern applications. It is an evolution and extension of earlier research on Agile and Lean methodologies and application life-cycle management, picking up where this research left off to guide organizations toward developing and delivering market-leading applications. See the March 4, 2014, [“Modern Application Delivery Drives Digital Business Success”](#) report.

- ⁵ Digitally empowered customers are redefining how business is won, forcing firms to become digital businesses that leverage digital technologies across the ecosystem. Winning in this fast-paced digital era requires CIOs to adopt a new approach. Traditional solutions fail to support the ongoing changes that customers demand and can't keep up with the compounded complexity of customer-journey moments through multiple channels and across multiple organizations. This report looks at the emerging use of continuous business services (CBSes) to bridge this complexity. A CBS is a discrete business service that is managed to continuously provide a specific outcome and that can be composed into customer-journey-moment solutions by the specialists skilled in channel technologies like mobile, Web, and call center. The success of the CBS model is as much about addressing the business challenge of cross-organizational work as it is about the technologies and development methodologies used to build CBSes. See the August 7, 2014, [“Bridge Complex Customer Journeys With Continuous Business Services”](#) report.
- ⁶ A small number of strategic roles can turn the culture, systems, and processes of the tech management organization toward improving customer experiences. These include relationship managers, architects, program/project managers, vendor managers, user experience designers, data experts, and business process designers. See the November 7, 2014, [“Acquire New Skills For Technology Management”](#) report.