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The Four Essential Steps To Transform Into An Insights-Driven Business

The Strategy Report In The Insights-Driven Business Playbook

by Cinny Little
May 14, 2019

Why Read This Report

Being insights driven is not just new terminology for big data; it's an operational transformation that firms must pivot to now or risk losing out to competitors old and new. But enterprise-level transformation is complex and expensive. It's hard to know where to begin, how to define the end state, and how to avoid getting lost along the way. In this report, we describe four steps for creating a strategy to become insights driven for CIOs to use in building a plan that succeeds.

This is an update of a previously published report; Forrester refreshes this report regularly based on new research.

Key Takeaways

If You're Focusing Only On The Data, You're Losing Your Way
Insights-driven businesses are growing faster than your business and are coming after your customers. They do this by systematically harnessing insights and taking actions that improve outcomes everywhere in the firm. Being insights driven requires a focus on five competencies: strategy, people, technology, process, and data.

These Four Steps Are The Guardrails For Your Transformation
Getting on the road to transformation into an insights-driven business — and staying on it — requires discipline. We provide CIOs with four steps: 1) Determine your urgency by examining the performance of existing investments; 2) create and communicate your insights-driven mission; 3) assess and sequence your focus on the five insights-driven competencies; and 4) plot your road map to transformation.

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Follow These Four Steps To Create Your Strategy

A new and different kind of company — we call it the insights-driven business — has formed, and it's growing consistently at 30% or more per year by using advanced analytics in a transformational way. These firms capture more and better data about customers and markets and blend both qualitative and quantitative knowledge across all organizational silos. They use this data to discover, learn, and optimize "digital insights" — actionable information they test and implement in software.[1] To avoid losing out to your insights-driven competitors, you need to accelerate your transformation — now. Forrester provides four steps for CIOs to take in creating a enterprise-level transformation strategy to become insights driven that will minimize your risk of getting lost along the way:

› **Step 1: Determine urgency by examining the performance of existing investments.** Working at the enterprise level, conduct a high-level rank ordering of the value of existing investments your firm has made in data and technology in use today, including people. Specifically, base your evaluation on the value of actions that the investments are driving in improving business outcomes. Results of this analysis will guide the speed and level of investment for your firm's transformation.

› **Step 2: Create and communicate your insights-driven vision.** The insights-driven business wins, serves, and retains customers better than its competition because it operates differently, everywhere in the firm. That means becoming insights driven requires a full-on cultural transformation that's not limited to data, analytics, technology, or customer-facing teams. This top-to-bottom change will take time: No cultural transformation that Forrester has studied has happened in less than five years.[2] Effective, sequenced communication is critical for success.

› **Step 3: Assess and sequence your focus on five insights-driven competencies.** Take the self-assessment in this playbook report to gauge your enterprise's level of maturity in five insights-driven competencies: strategy, people, technology, process, and data.[3] Based on your results, decide which competencies are most critical for your enterprise to focus on first.

› **Step 4: Plot your road map to transformation.** To transform their enterprise into an insights-driven business, executives must align on what to do, in what sequence, and estimate how long it will take to do it. Our reports in the insights-driven playbook detail how to advance in each of the five insights-driven competencies — at beginner, intermediate, and advanced levels — and how to chart your path and timeline for success.

Step 1: Determine Your Urgency By Examining The Performance Of Existing Investments

The lower the actionability your firm derives from existing investments in data for insights, the higher the urgency to become insights driven. Why? Firms already operating as insights driven, or those at a higher maturity than you, are outperforming you. While you may be on the path, we most often see firms focusing on collecting data and mining it for insights but experiencing low actionability. Global data and analytics decision makers estimated in both 2017 and 2018 that their firms based only 45% of their business decisions on quantitative information and analysis.[4] We call these firms data-aware

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or data-driven businesses; insights-driven firms have completely different DNA.[5] Determine your firm's insights-driven urgency by scoring it on six questions (see Figure 1). Then place your firm on the matrix to see how important it is to transform and how quickly you should act.

> › **Consider how good your firm is at driving data to insights to actions.** New business and insight use cases for data and insights are forcing enterprises to move at the speed of the customer. Changes in traditional data thinking have created new paradigms. For example, 61% of global data and analytics decision makers have implemented, are implementing, or are expanding/upgrading data preparation tools for end users like analysts and data scientists.[6] This puts data closer to business and operational areas that must act on insights to improve business outcomes.

> › **Evaluate how good your competitors are at doing the same.** Think broadly about competitors — both your traditional competitors and new entrants, especially disruptors. Are they better than you at offering seamless cross-channel experiences and capabilities — web, mobile, and offline? If yes, then they're more capable than you are at optimizing across organizational silos, something less mature firms struggle with mightily. An example of the struggle: 75% of digital experience delivery professionals in 2016 personalized website content, while just 32% personalized mobile app content — an indication that their channel teams were not working together.[7]

> › **Understand that no barriers exist to shield you from insights-driven competitors.** You recognize disruption such as digital native Amazon's continuous redefinition of retail, and you also recognize innovation via industry disruption such as CVS Health's acquisition of Aetna. Be sure you apply relevant examples to your firm. Consider, for example, the highly regulated pharma industry, where an increase in investment in digital health disruptors is at odds with legacy pharma's view of its risks of being disrupted. In 2018, funding for digital health reached $14.6 billion globally, over 12 times more than in 2010.[8] At the same time, a 2018 survey of global pharma decision makers ascribed a very low importance to industry disruption compared with transforming the field force into multichannel reps.[9]

> › **Decide not only what to do but also what *to stop doing*.** Your strategy must consider not only what to do differently but also what to stop doing. For example, enterprise architects must handle customer data with a "data lake coexistence approach" rather than focus on a single customer data lake that takes too long to realize business outcomes and creates data disconnects.[10] Another example: Firms on the path to becoming insights driven often free up bandwidth by stopping production of reports and dashboards. When they do that, they typically hear nothing from stakeholders, a clear indicator that no one was using these deliverables to take action.[11]
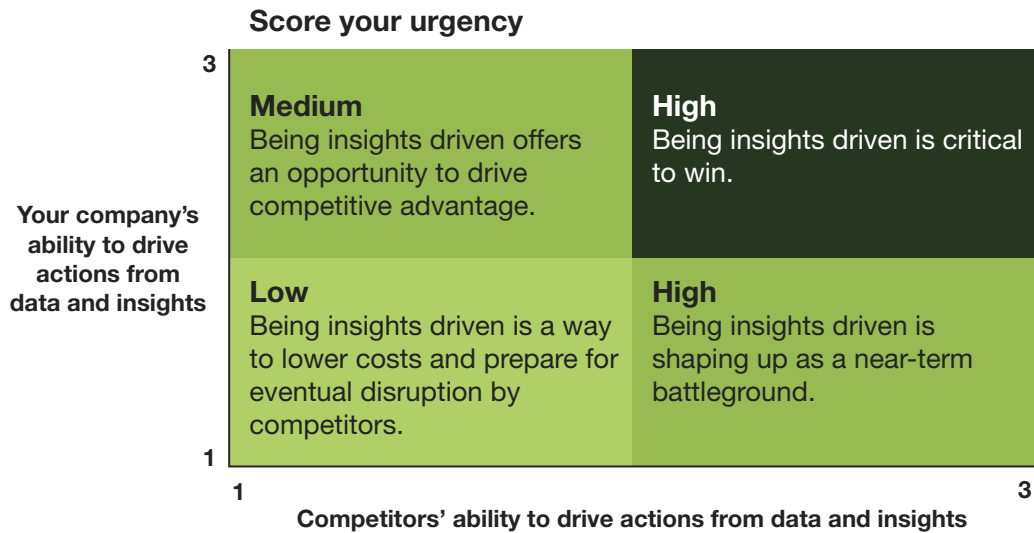
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FIGURE 1 The Insights-Driven Urgency Matrix

The insights-driven urgency matrix

Your situation	Y/N	Competitor situation	Y/N
Is the majority of investment in data and technology everywhere in your firm (product, service, channels, and operations in all regions) driving identifiable actions that improve business value?		Are your top three most important competitors able to move faster than your firm in driving revenue with new cross-channel products, services, and experiences?	
Can your customers easily do without your products/services?		Do you have major competitors today that you know are more mature than you in their use of data and analytics?	
Are new competitors likely to give your customers new choices and capabilities in the near future (such as products, channels, and services)?		In your industry segment, does an overall weak state of driving actions from data and analytics create opportunity for disruptors?	
Score (1 point for each yes)		**Score (1 point for each yes)**	

Score your urgency

Your company's ability to drive actions from data and insights

3

Medium
Being insights driven offers an opportunity to drive competitive advantage.

High
Being insights driven is critical to win.

Low
Being insights driven is a way to lower costs and prepare for eventual disruption by competitors.

High
Being insights driven is shaping up as a near-term battleground.

1

1   3

Competitors' ability to drive actions from data and insights

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Step 2: Create And Then Maintain Communication Of The Insights-Driven Mission

Cultural change requires top-to-bottom buy-in to a mission. From business execs to individual contributors, everyone whose behavior you need to change (and that's everyone) must see value for themselves in the insights-driven mission. Generic value statements won't cut it. People need tangible illustrations of how they and your customers will be more successful. It requires diligence and expertise to show what being insights driven looks like at all levels of the organization, but it's not optional. Consider how data-aware and data-driven firms implement the principles for an insights-driven business to help you create your mission and objectives (see Figure 2).[12] To enable your strategy, use these approaches to communicate and gain buy-in to your mission:

› **Craft a concise mission statement, with supporting objectives.** Your mission statement for insights-driven transformation should be a short declaration of your firm's *purpose* in becoming insights driven, along with high-level *objectives* you seek to achieve. For example, the mission statement of Cleveland Clinic states its purpose is to "provide better care of the sick, investigation into their problems and further education of those who serve." Supporting objectives show the clinic's known insights-driven approach: "Excel in specialized medical care supported by comprehensive research and education"; "Develop, apply, evaluate and share new technology"; and "Provide efficient access to affordable medical care."[13]

› **Engage executives but also business area leads, SMEs, and data analytics pros.**[14] You risk big pitfalls if your mission statement and process for enterprise transformation is designed by an elite team at the top or primarily by only one part of your firm (such as the technology organization or a strategy group). Such an approach misses the opportunity to create champions for the mission through the simple act of involving them. John Deere Financial took an inclusive approach to a transformation — in its case, a customer experience (CX) transformation — by engaging not just its executives but also midlevel managers and CX champions from across the organization to finalize its CX guidelines.[15]

› **Highlight examples you already have to show what being insights driven looks like.** Identify examples of approaches you're using that drive measurable business value from data and insights, then talk them up, internally and externally. Unilever took this approach, starting in 2016, when it rolled out changes to its organization and mindset, led by its consumer and market insights (CMI) group. CMI's mission statement, "Inspire and provoke to enable transformational action," intentionally left out the word "insights" and put the focus on "action," its desired end point. To support this change early in the business planning cycle, CMI used data storytelling in its presentations to leadership and staff. CMI moved away from dashboards and tables to a "show, don't tell" approach with vignettes and compelling imagery to create a story line about the strategy.[16]

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FIGURE 2 Insights-Driven Businesses Operate Differently, According To Five Principles

	Insights-driven principle	Data-aware firms . . .	Data-driven firms . . .	Insights-driven firms . . .
	Operating models are based on insights.	Support business decisions with data.	Apply analytics to data to drive both strategic and tactical decisions.	Build businesses that create specific competitive advantages through insight.
	Insights must be actionable.	Know they have a lot of data but struggle to turn it into action.	Create sophisticated visual and predictive insights from data but rely on reports and dashboards to drive actions.	Harness actionable insights from analytics, employees, and customers, then implement them in software to drive action.
	Learning and experimenting are continuous.	Collect data slowly and use it in long-cycle business analytics decision making.	Collect bigger and faster data sets, then apply techniques and technology to close the data-to-insights gap.	Purposefully measure the impact of applied insights, then optimize in closed-loop, agile cycles of experimentation and learning.
	Investments in insight capabilities are strategic.	Build data lakes and platforms and invest in self-service data tools in the hope that good things will result.	Make data and analytics investment a business strategy, not a technology response to business requirements.	Invest to achieve their businesses' strategic objectives, which always include competitive advantage through insight.
	Insight collection and implementation is a team sport.	Centralize reporting and advanced analytics functions to drive efficiency.	Build data science teams but struggle to integrate them into their business areas. They also stand up data analytics CoEs.	Build agile, cross-functional insights teams embedded in their businesses and accountable for clear, insights-driven outcomes.

Step 3: Assess And Sequence Your Focus On The Five Insights-Driven Competencies

By the time you reach this step, you've determined the urgency of your enterprise transformation to being insights driven, created a mission statement and objectives, and planned how to align to and engage employees in the transformation. Now use the self-assessment in this playbook to gauge your enterprise's maturity in the five insights-driven competencies: strategy, people, technology, process,

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and data.[17] Your assessment results will tell you whether you are in the beginner, intermediate, or advanced level for your insights-driven competencies. Set a target for the maturity level of each of the five competencies and:

> › **Establish each competency to hedge against disaster.** If your assessment results place you at the beginner level in multiple competencies, look hard at activities that teams can stop doing, such as planning or building data hubs or lakes without aligning with stakeholders on the KPIs and metrics they'll act on. This will give you more bandwidth to take the initial steps in maturing competencies. Focus on increasing the actions that teams take based on data and insights — for example, begin or expand testing and optimizing the customer experiences that matter most to outcomes. Consider standing up a center of excellence (CoE) in your most mature analytics area to pilot a more insights-driven approach.[18]

> › **Develop each competency to drive high differentiation versus your competitors.** If multiple competencies show as "intermediate" in your assessment results, your firm is likely more advanced in being insights driven in some business or operational areas than in others. For example, in a B2B firm, the digital marketing team may be using predictive analytics but remain dependent on dashboards to decide on actions, while the sales effectiveness team is struggling to leverage CRM. You may have one or more analytics CoEs operating at this stage. View them as initial models for an enterprise approach. Examine them to determine which competencies need improvement and the enablers to drive that.[19]

> › **Innovate in each competency to use your insights-driven strength to win.** If the state of insights-driven businesses is advanced in your industry, then it's critical that you focus on a key aspect of a true insights-driven business: implementing actions in software to improve outcomes.[20] This requires high maturity in all five competencies and a successful transformation from the top to the roots of the firm. In General Electric's transformation into a "digital industrial" firm, it set out to digitize its business, starting with a self-built tool that used the internet of things (IoT) to reduce unplanned downtime of expensive power-generation equipment.[21] GE Digital expanded rapidly from there and, in 2016, launched Predix to serve other industrial customers.[22]

Step 4: Plot Your Road Map To Transformation

In step 4, you create a road map and timeline that will help you reach the next level of transformation to being an insights-driven business:

> › **Estimate time requirements by competency, and chart them to inform your planning.** Taking the maturity self-assessment will provide you with a guide to the competencies you must focus on most. You'll chart parallel timelines for improving them (see Figure 3). As if difficult-to-estimate timelines for maturing your competencies weren't challenging enough, some competencies depend on others. If you already use a true CoE operating model in one area of data analytics, such as marketing, you'll save time by using lessons from that model to stand up a CoE in another analytics area, such as a multichannel digital intelligence team, in as little as six to nine months.

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› **Determine your investment plan and business case.** Firms with low insights-driven maturity invest in data and analytics using typical ROI calculations. These usually measure value at a micro level and are disconnected from long-term strategic outcomes, such as an enterprise-level focus on CX improvement.[23] Insights-driven firms invest in data and analytics as table stakes to execute their enterprise-level insights-based strategy, driven from the top and pervading the firm. Less mature firms' business cases must incorporate both approaches.

› **Incorporate prototypes and the right partnerships in your road map to show the way.** Your approach will depend on your current maturity as an insights-driven business. If your firm is at an early stage, where you've begun supporting business decisions with data but are still struggling to turn the data into actions that improve outcomes, consider finding the right partner to help you prototype a system of insight using an agile approach to demonstrate value quickly.[24] If you're at a more mature stage, execute one prototype internally and one with a partner that will teach you how to operate once you've built the pilot.

› **Neglect the "people" competency at your peril.** Peter Drucker said, "Culture eats strategy for breakfast." While all five insights-driven competencies are critical to transformation, don't underestimate the focus you must place on the people competency to drive necessary change and innovation in your culture, your employees' skills, and how you work across functions. And don't underestimate the time it takes, either. Establishing a cultural transformation program that enables — let alone transforms — systematic change can take a year.

FIGURE 3 Sample Timeline For Maturing Insights-Driven Competencies By Quarter
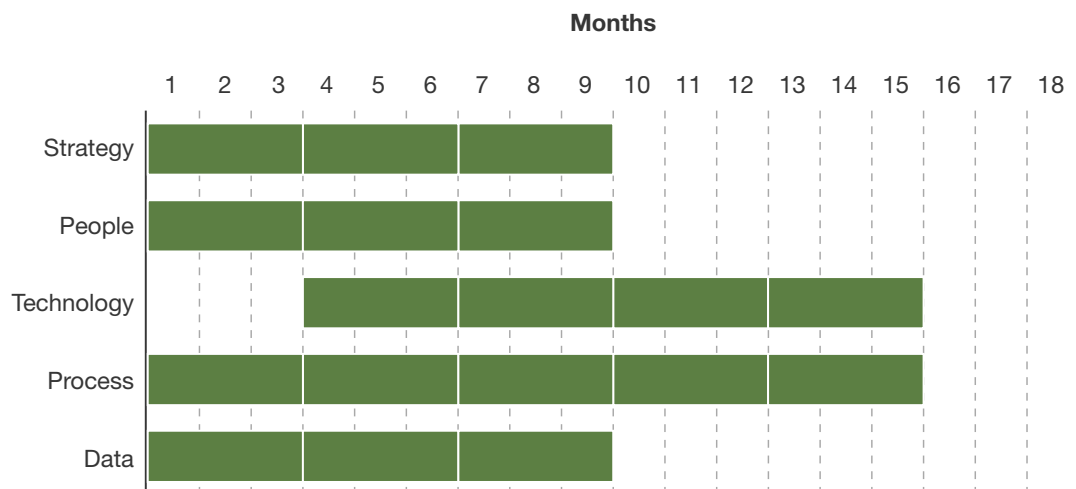
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Endnotes

[1] Per Forrester's definition, an insights-driven business harnesses and implements digital insights strategically and at scale to drive growth and create differentiating experiences, products, and services. See the Forrester report "Insights-Driven Businesses Set The Pace For Global Growth."

[2] See the Forrester report "Checklist The Progress Of Your Culture Transformation."

[3] See the Forrester report "Gauge Your Insights-Driven Business Maturity."

[4] Source: Forrester Analytics Global Business Technographics® Data And Analytics Surveys, 2017 and 2018.

[5] See the Forrester report "Insights-Driven Businesses Set The Pace For Global Growth."

[6] Base: global data and analytics technology decision makers who use or have purchase influence over data governance and stewardship. Source: Forrester Analytics Global Business Technographics Data And Analytics Survey, 2018.

[7] Source: Forrester's Q1 2016 Digital Experience Delivery Online Survey. See the Forrester report "Pivot To Person-First Personalization."

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[8] Source: "StartUp Health Insights Global Digital Health Funding Report: 2018 Year End Review," SlideShare, January 4, 2019 (https://www.slideshare.net/StartUpHealth/startup-health-insights-global-digital-health-funding-report-2018-year-end-review-127302187).

[9] Source: "Across Health Multichannel Maturometer 2018," SlideShare, July 19, 2019 (https://www.slideshare.net/AcrossHealth/across-health-multichannel-maturometer-2018).

[10] See the Forrester report "Battle Of The Data Lakes: Customer Insight Versus Enterprise Platform."

[11] Examples from multiple client inquiry calls.

[12] See the Forrester report "Insights-Driven Businesses Set The Pace For Global Growth."

[13] Source: "Mission, Vision & Values," Cleveland Clinic (https://my.clevelandclinic.org/locations/south-pointe-hospital/about/mission-vision).

[14] SMEs: subject matter experts.

[15] See the Forrester report "The Five Essential Steps To Plan Your CX Transformation."

[16] Source: Frank van den Driest, Stan Sthanunathan, and Keith Weed, "Building An Insights Engine: How Unilever Got To Know Its Customers," Harvard Business Review, September 2016 (https://hbr.org/2016/09/building-an-insights-engine).

[17] See the Forrester report "Gauge Your Insights-Driven Business Maturity."

[18] See the Forrester report "Use The Insights Center Of Excellence To Orchestrate Analytics Across Organizational Silos."

[19] See the Forrester report "Q&A: The Top Seven Questions About The Insights Center Of Excellence."

[20] See the Forrester report "Insights-Driven Businesses Set The Pace For Global Growth."

[21] To learn more about GE's transformation, check out the following website where you can download GE's own playbook. Source: "GE's Digital Industrial Transformation Playbook," GE Digital (https://www.ge.com/digital/lp/ges-digital-industrial-transformation-playbook).

[22] See the Forrester report "Industrial IoT Platforms Offer Better Support For Specific Industry Needs."

[23] See the Forrester report "Insights-Driven Businesses Set The Pace For Global Growth."

[24] See the Forrester report "Insights-Driven Businesses Set The Pace For Global Growth."

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