

APIs Underpin A Digital Business Platform

Prepare For Digital Transformation's Constant, Unpredictable Change

by Randy Heffner

January 28, 2016

Why Read This Report

While it's true that transforming to realize the benefits of digital business requires specific initiatives such as mobile apps, the Internet of Things, and predictive analytics, it's a mistake to frame one's transformation around such initiatives. Instead, focus on a more critical and fundamental reality that runs underneath all of them: the need to prepare for an unknown future of continuous business and technology change. This report describes how AD&D pros should prepare for continuous change and evolution using Forrester's vision for an API-centric digital business platform.

Key Takeaways

The Big Mistake: Framing Transformation Around Specific Digital Initiatives

Organizations that frame a digital transformation around a list of specific digital initiatives (e.g., mobile, analytics, etc.) make the mistake of assuming that today's technology hot buttons are the destination, rather than the start of a journey. This results in haphazard architecture framed around each separate project.

The Better Assumption: Digital Transformation Is About Preparing For Continuous Change

Once today's list of specific digital initiatives is done, business and technology innovations will be demanding more change. So, digital is really about getting today's list done while also preparing for an unknown future of continuous, rapid change.

The Real Need: A Digital Business Platform

In addition to the right organizational culture and structures, being prepared for continuous, rapid change demands that one's technology base supports a wide and rapidly evolving variety of business models, processes, and ecosystems. Crafting a digital business platform requires ecosystem thinking; a focus on capabilities, processes, and adjacencies; strong portfolio management of business APIs; and a plan for evolving the platform over time.

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by [Randy Heffner](#)

with [Christopher Mines](#), [Nigel Fenwick](#), Taylor Turrisi, and Karen Traikovich

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Forrester combined insights from our current research on APIs, our future vision for integration (digital business design), case studies on APIs, and case studies on digital business design to create a future vision for platform strategy for digital business transformation.

Related Research Documents

[A Developer's Guide To Forrester's Strategies For API Success](#)

[Digital Business Design Is The New Integration](#)

[How APIs Reframe Business Strategy](#)

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Digital Business Transformation Is About Preparing For The Unknown

There's a critical undercurrent missing in the flood of conversations Forrester hears about digital business transformation. Instead of true transformation, these discussions tend to focus on specific initiatives that bolt on newer technologies — such as mobile, the Internet of Things (IoT), or cognitive computing — to improve customer experiences and agility of business operations. The new technologies are good, but application development and delivery (AD&D) pros must help executives realize that:

- › **A bad assumption lies behind the “bolt-on” view of digital transformation.** The underlying, unspoken assumption in the bolt-on approach is that, if an organization can implement some list of specific digital initiatives, it will be “done” with its digital transformation. To think that the organization will then have realized the goals and benefits of being digital is based on the assumption that today's technology hot buttons are all that's needed.

With this bad assumption, executives will ask only, “How can this or that set of specific digital initiatives help customers or operations?”

With the better assumption, executives will also ask, “How can we prepare for an unknown future of constant change?”

- › **The better assumption is that digital disruption has only just begun.** Here's what the assumption above blatantly misses: There is no reason to believe that 70 years on from the ENIAC, the stream of digital innovation is about to end.¹ The better assumption is that, around the corner, just beyond where we can see today, there is every bit as much digital business transformation as we are facing today. Furthermore, there are as many future unknowns about business as there are unknowns about digital technology.

With the better assumption, executives will also ask, “How can we prepare for an unknown future of constant change and an ongoing stream of increasing customer expectations and shifting business ecosystems?”

Making Digital Agility Sustainable

In other words, what's missing is for an organization to have an explicit focus on building sustainable business agility.² When an organization frames digital transformation around an unknown future, it becomes clear that the central requirement for being a digital business leader is to go beyond bolt-ons to prepare for continuous, tumultuous change.

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It raises the priority of simultaneously doing two things: 1) delivering the specific mobile, IoT, API, and other digital business initiatives that the business needs today and 2) delivering these initiatives in ways that prepare the organization for continuous, rapid change to meet evolving customer expectations and respond to unknown, unexpected digital disruptions (or better yet, cause its own disruptions).³ It's the difference between great pocket billiards and world-class pocket billiards (AKA "pool"):

- › **Great billiards: delivering only today's digital change.** Delivering digital transformation based on specific initiatives is like, in billiards, making an impressive three-bank shot into the corner pocket. That kind of shot makes for great billiards, but it's not enough.
- › **World-class billiards: delivering today's change while preparing for tomorrow's.** It is indeed necessary to deliver today's specific digital change — one has to make the three-bank shot into the corner pocket — but in centering digital transformation on preparing for an unknown future, one does that and leaves the cue ball in place for the next shot. World-class billiards requires making a long run of impressive shots, one after another.

To Prepare For The Unknown, Evolve A Digital Business Platform

As a simple analogy, hotel conference centers are prepared for an uncertain stream of future events because they've been built with the right structures — specifically, movable partitions instead of hard walls — that can be rapidly reconfigured to meet changing requirements. Similarly, preparing for an unknown stream of digital business change — shifts in customer expectations, ecosystem disruptions, or something else — requires an organization to evolve the right structures for rapid business reconfiguration. APIs are central to this type of structure for strategic business agility.⁴

With a strategy framed for ongoing change, as organizations implement specific initiatives, they will incrementally build a digital business platform, which Forrester defines as (see Figure 1):⁵

A modular technology base built around business APIs and designed for rapid reconfiguration of business models, processes, and ecosystems.

A digital business platform enables rapid digital business reconfiguration to (see Figure 2):⁶

- › **Support any new style of interaction with customers, employees, and partners.** Today's need is for excellent digital customer experience via smartphones and other devices.⁷ Known future interaction styles include smart glasses and virtual reality. These and unknown future touchpoints require API-based access to a rich set of business transactions, queries, content, and data. In addition, users and customers should have all of their functional needs brought together into a unified, multitouchpoint experience (as opposed to being fragmented across application silos).⁸ As interaction points with the physical world, IoT implementations can act as agents or proxies for humans.⁹

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To enable rapid change for its customer service associates and their ability to delight customers, R Cable y Telecomunicaciones Galicia, a Spanish quad-play telecom company, created a unified customer service workbench, driven by APIs into its siloed legacy applications. The new platform enables R to deliver customer service improvements 50% to 70% faster than before.¹⁰

- › **Change, add, evolve, and control business capabilities as APIs.** Business APIs are the digital embodiment of the capabilities needed to run a business, such as taking and placing orders, resolving customer trouble tickets, calculating quotes and discounts, and much more. APIs package capabilities for incremental business change, and they provide a clear place to attach and enforce business policy and controls (e.g., for auditing and compliance or for specialized security when APIs are opened for external partner access).

Telefónica O2 Ireland used the telecommunication industry's enhanced telecom operations map (eTOM) models to implement business capabilities as SOA services.¹¹ By setting policies on these services, such as rules for product eligibility, bundling, or tariffs, the firm can rapidly change business capabilities to deliver different data to different requesters as needed.¹² SkyTeam centers on service enablement of business capabilities to build agility across its network of airline partners.

- › **Expand business into innovative new ecosystems.** Today's need is to optimize an organization's own customer experience ecosystem.¹³ With MyJohnDeere.com, John Deere is stepping into tomorrow by centering on its customers' ecosystems.¹⁴ Beyond directly entering and optimizing customers' ecosystems, business APIs and other digital channels prepare innovative organizations to reach into new, adjacent ecosystems to find new customers and new streams of revenue.

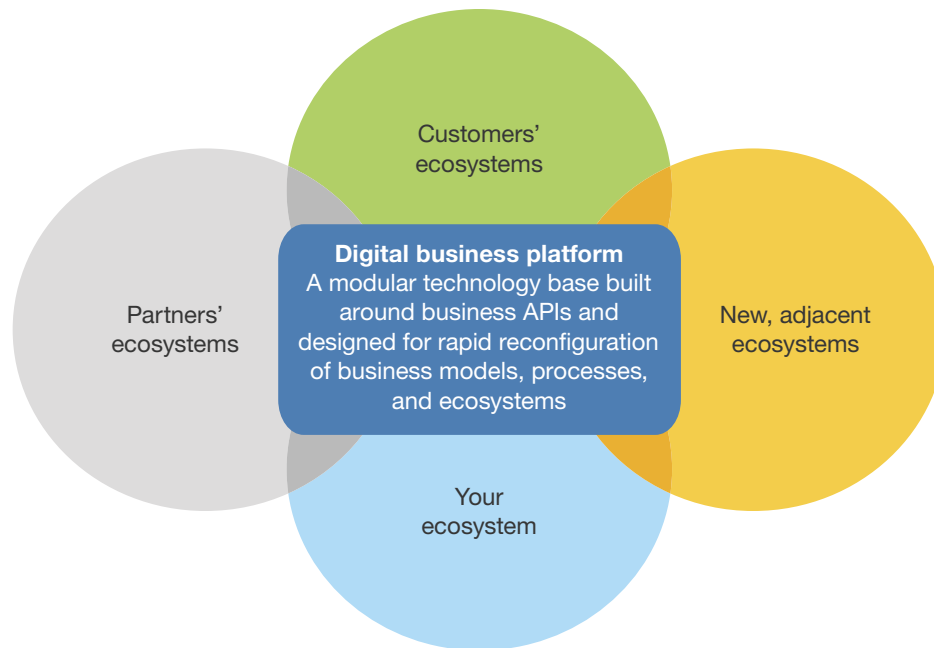
With its agile business capability services in place, Telefónica O2 Ireland was able to enter a new ecosystem. Instead of being merely a telecom provider, it became a billing service provider: A toll road firm can allow travelers to charge tolls to their phone and pay them when they pay their phone bill.

- › **Embed new insights into business processes and user workspaces.** Data, transactions, API calls, and content flowing through user experiences, business processes, and the surrounding physical world are available to be captured, organized, and analyzed to optimize operations and delight customers — what Forrester refers to as digital operational excellence — and other critical business outcomes, like reducing costs.¹⁵ Both precise insights (e.g., average process cycle time) and fuzzy insights (e.g., likelihood that a business event will cause process delays) can drive automated business decisions and advanced visualization for human insight and decision-making.¹⁶
- › **Change business process flows and controls — with full compliance audit trails.** Excellent customer experience requires more than pretty mobile apps. It requires rigorous, ongoing optimization across many processes, particularly those that directly affect the organization's ability to meet changing customer expectations. Rapid, controlled process change happens better when business process management (BPM) and related technologies embed configurable process flows and controls into an organization's solutions. With BPM in place, an organization has the audit trails critical for compliance and privacy across financial, healthcare, and other sectors.

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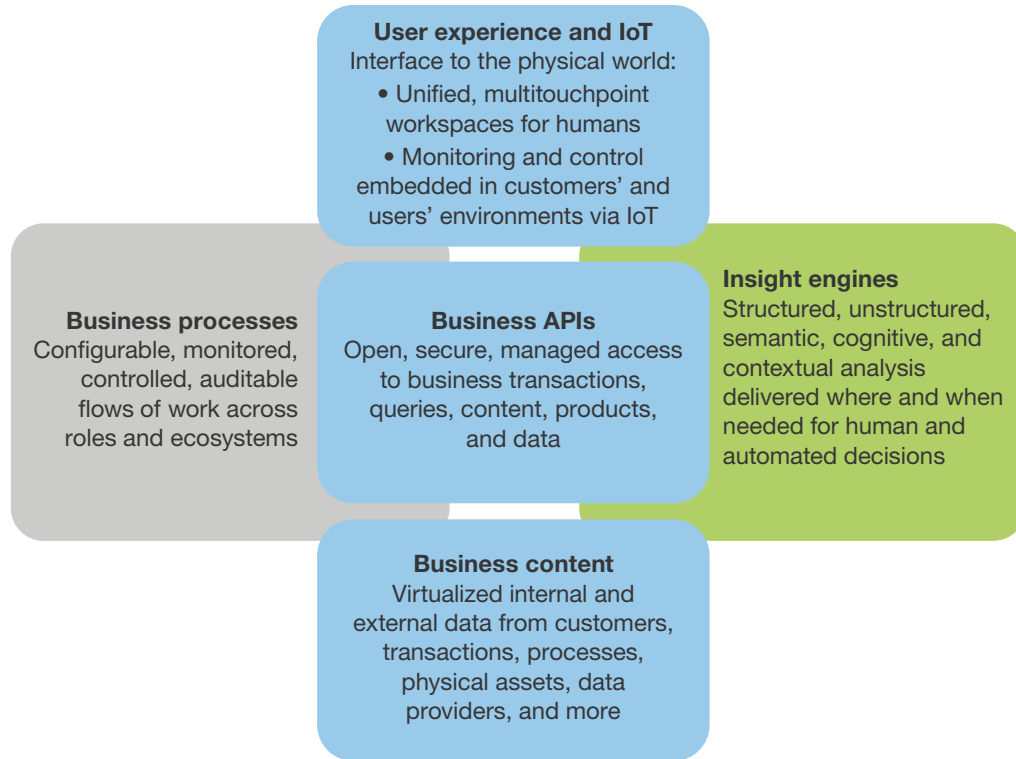
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Dong Energy used BPM and business rules as part of its platform for business agility, enabling certain business changes be implemented with one-tenth the effort. It can dynamically adapt to variations in market rules across European markets and more effectively control process exceptions that require manual processing.

FIGURE 1 A Digital Business Platform Is A Modular Base For Dynamic Change Across Business Ecosystems

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FIGURE 2 A Digital Business Platform Enables Multiple Domains Of Dynamic Business Insight And Change

Be Intentional About Evolving A Digital Business Platform

In the age of the customer, every business is a digital business; there is not really a choice about whether to have a digital business platform. For better or worse, an organization's technology base is its platform. The only choice AD&D pros have is about how an organization develops its platform. There are three options:

- › **The top-down strategic path is a nonstarter.** Although it is possible for an organization to craft a comprehensive plan for end-to-end analysis and buildout of a complete digital business platform that encompasses all of its business capabilities, user roles, partners, processes, and ecosystems, this option is a nonstarter. The task is too big and the risks are too great, but there's a more fundamental killer issue: Even if such a multiyear project were feasible, business and technology change would invalidate the platform before it was done.
- › **The accidental bolt-on path is common but haphazard.** As a reaction to the top-down approach, some will go to the other extreme. Rather than plan for a digital business platform at all, they will let it emerge from their succession of bolt-on projects for digital. The results of this approach will be like a house originally built in the 1830s, then retrofitted for indoor plumbing, then

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a room was added, then it was retrofitted for electricity, then it had more rooms added, then a garage was added, then it was retrofitted with a security system, then more rooms added, and so on. It is very difficult for such a house to function well.

- › **The intentional path is practical and achievable.** Organizations like Telefónica, Dong Energy, R, and SkyTeam have found a path where a focus on key business design points like transactions, user roles, and processes — the building blocks of a digital business platform — allows them to accomplish today's initiatives in ways that prepare for ongoing change tomorrow.¹⁷ The intentional path takes a quick look forward to gain perspective on future business change — known, suspected, and potential surprises — and uses this perspective to manage evolution of portfolios of APIs, processes, and other business design points.

The intentional path for building a digital business platform takes a quick look forward to gain perspective on future business change.

Four Key Disciplines Underpin Intentional Paths To APIs And Digital Business Platforms

To delight your current customers, it is critical to understand their journeys in their relationships with your firm. Creating a vision for your API-based digital platform for ecosystem innovation goes further than this, requiring a broader look at ecosystem possibilities beyond your current customers. To evolve a digital business platform over time requires a variety of investments and cultural changes across organizational structures, planning and strategy processes, business change and solution delivery processes, and architecture for digital business. Specifically focusing on the platform itself, AD&D leaders must be advocates for four cornerstone disciplines:

- › **Thinking in differentiated capabilities and ecosystems that need them.** Traditional business strategy centers on the question, “What business are we in?” Digital platform innovation begins with a different question — “What unique assets do we have and what are we especially good at?” — and follows it with “What ecosystems can use our assets and business capabilities?” This begins with your organization's own supply-side ecosystem and continues with end-to-end thinking about customers' and partners' ecosystems. This creates a deeper understanding of their needs and in turn leads to ideas for new products and for adding value to existing products and services.

But ecosystem thinking should go even further, fostering open-ended examination of how adjacent ecosystems (or even non-adjacent ones) could use your organization's assets and capabilities. The Weather Company started as a TV channel but later realized that it could sell the strength of its weather assets and capabilities into aviation, energy, insurance, and other ecosystems, particularly through its Weather Underground API.¹⁸

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- › **Thinking in processes and adjacencies.** Next, examine end-to-end processes, looking for opportunities to utilize or integrate with assets and capabilities once removed from your products and services (see Figure 3). Any process step and any interaction with partners and suppliers is a possible opportunity for APIs to expand ecosystem flexibility and value.¹⁹ For example, to better delight customers with its shipping options, an equipment manufacturer used BPM and APIs to make it easy to swap shipping firms.

Next, look at how customers create processes across their ecosystems.²⁰ Examine what comes before and after their touchpoints with your organization, including adjacent firms, products, and services. With APIs for ecosystem integration, your organization can improve customers' processes and increase your value-add — perhaps even expand your products and services. Chicago Transit Authority provides APIs that let mobile app developers integrate public transportation into customers' sightseeing, recreation, and other activities.

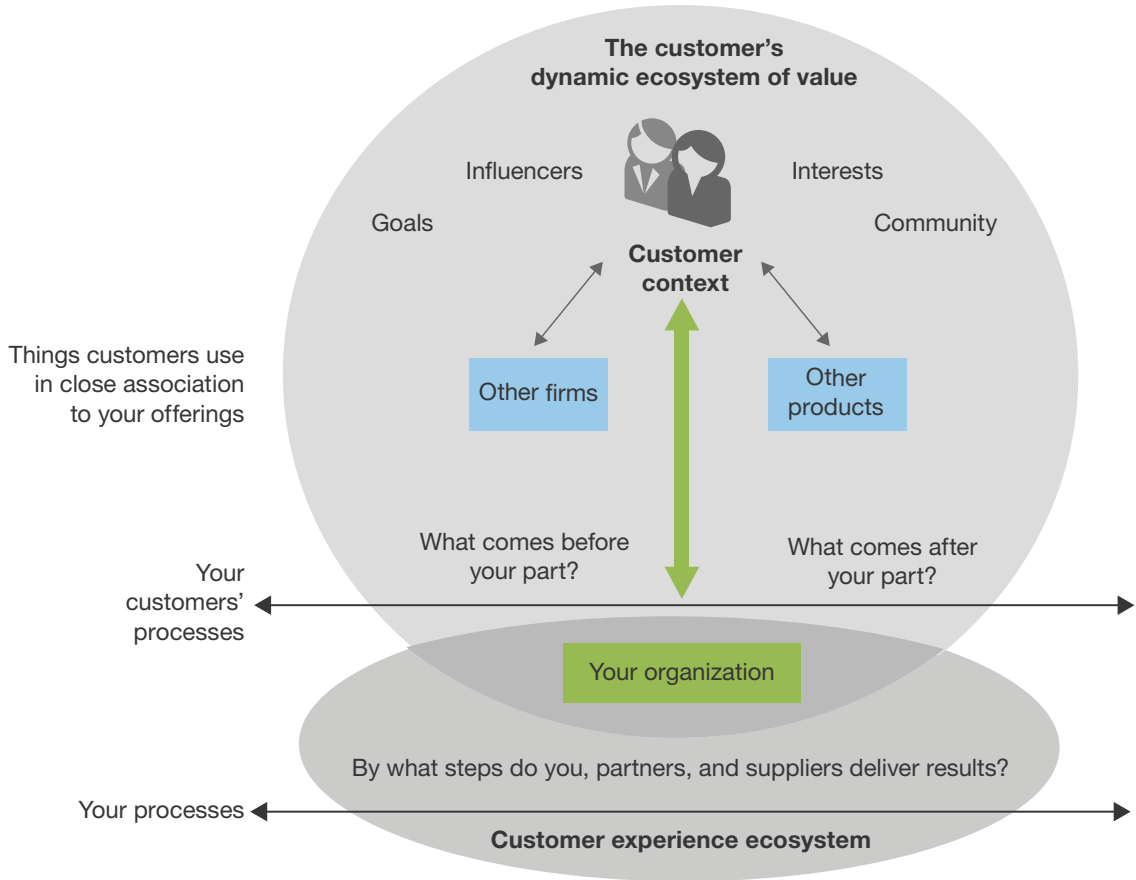
- › **API-enabling business capabilities.** Analysis of capabilities, ecosystems, processes, and adjacencies feeds identification of top-priority business APIs, which are the central engine of agility for a digital business platform. Thus, with each business change initiative, it is critical to maintain focus on evolving your portfolio of business APIs. These are business building blocks that are ready for rapid reconfiguration to create new ecosystem relationships, optimize business processes, build new user experiences, and even become revenue-bearing products in their own right.²¹ And it's not only the APIs themselves: The business activity flowing through business APIs is easily available for both business insight and for auditing and compliance.
- › **Using portfolio management to guide coherent evolution of business APIs.** Customers and partners using your APIs should experience a coherent set of APIs designed to work well together. To achieve coherence without a major top-down design program, the intentional path uses portfolio management at two levels (see Figure 4). First, a perspective on the stream of business change — especially initiatives aimed at driving customer value — drives awareness of overarching business pressures and trends, together with possible responses to them. This helps with identifying future changes to business capabilities.

Second, this perspective on evolving the organization's business capabilities feeds business API design. At the business API level, portfolio management employs lightweight analysis to maintain a view of existing and candidate business APIs within a business domain. As business change initiatives are implemented, business API portfolio management ensures proper use of existing APIs and coherent portfolio fit for new APIs.

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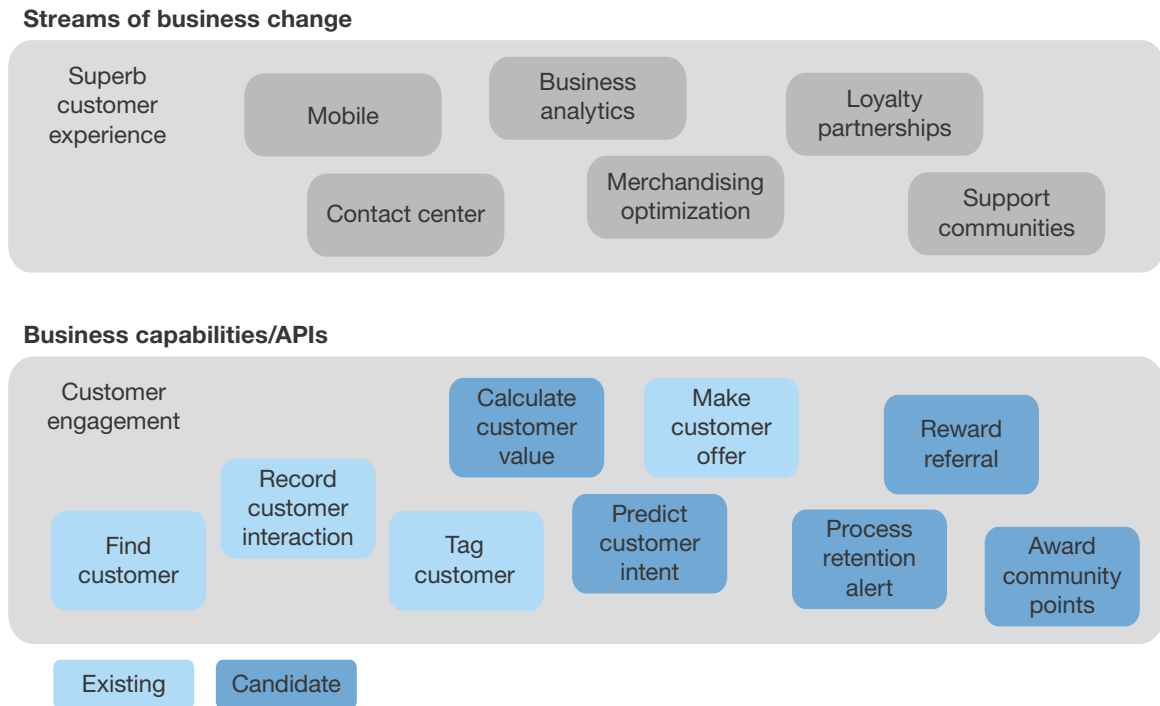
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FIGURE 3 Think In Processes And Adjacencies



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FIGURE 4 Use Portfolio Management To Guide The Evolution Of A Coherent Set Of Business APIs**Four Key Structures Guide Intentional Evolution To A Digital Business Platform**

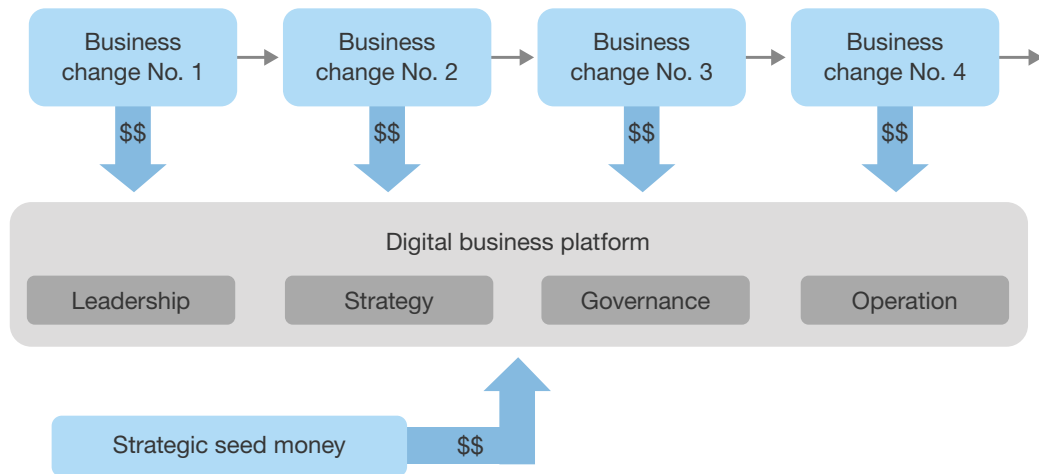
Together with the four key actions for the intentional path, Forrester identifies four key structures that guide collaborative innovation and incremental evolution of a digital business platform. Although they require involvement of businesspeople and architects, AD&D leaders can foster awareness and incremental development of these four structures:

- › **Business architecture.** Done right, business architecture is a collaborative structure for designing the future of one's business.²² In this, business capability maps and target operating models are central deliverables, and both foster better identification of business capabilities and business APIs and better management of API portfolios. Target operating models foster ecosystem thinking mostly for your own ecosystem, so you must be intentional about expanding thought processes to include customers, partners, and adjacent ecosystems.
- › **A loosely coupled go-to-market (GTM) strategy for each digital business capability.** Today's GTM strategies for products and services tend to combine many of a firm's capabilities. With a digital business platform, each item on a business capability map, API-enabled for open ecosystem access, is a candidate for its own GTM strategy.²³ This prepares an organization either to cause its own disruption or to react quickly if someone else disrupts the market.²⁴ In other words, being prepared allows an organization to choose its own GTM timing for each capability.²⁵

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- › **Incremental platform buildout.** Don't try to build your digital business platform all at once nor try to API-enable all capabilities at the same time. Instead, set a strategy to incrementally build the platform features and APIs necessary for delivering each new round of customer value and operational excellence. Incremental evolution of one's digital business platform is central to the intentional path, but even so, it is important to continually reiterate and reinforce the expectation that each stream of business change will contribute to and extend the platform. Each project brings the platform closer to complete realization.
- Don't try to build your digital business platform all at once nor try to API-enable all capabilities at the same time.
- › **Platform seed money with project-by-project platform contributions.** Incremental buildout requires structures for incremental funding, where each business change project contributes funding for platform evolution. In addition, for continuity, the overall integrity and coherence of the platform benefits highly from enterprise seed money for platform planning, leadership, and governance (see Figure 5).

FIGURE 5 Incremental Evolution Of A Digital Business Platform Requires Seed Money And Project Contributions

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Recommendations

Be A Leader And A Change Agent For A Digital Business Platform

Clearly, it requires more than AD&D to realize the full value of a digital business platform. Businesspeople must begin to think of the organization as a platform, and they have to mature innovation processes to look systematically for opportunities to deliver capabilities into new ecosystems. Architects play a role in articulating and governing the strategy. But AD&D leaders can use their knowledge of business functions and processes, as well as their approach to API enablement, to drive conversations about the value and need for a platform.

Start with what's in your control. Within the scope of each delivery project:

- › **Infuse business capability conversations and business API design.** Maintain focus on business APIs as the central pattern within your solution architecture. Organize requirements into distinct business capabilities — transactions and queries that a businessperson would understand — built as APIs. Your top priority will be APIs that improve customer value, but once business APIs become your standard way of building, it requires little extra cost to create business APIs with each project.
- › **Help businesspeople understand how today has an impact on tomorrow.** Construct business examples to highlight for project sponsors how they should be concerned about not only today's delivery but also how today's delivery builds agility for tomorrow's business change. Technical software trends like Agile, continuous delivery, microservices, and technical APIs are all important parts of the agility puzzle, but pursue these within the business-centric structure of a digital business platform strategy.
- › **Expect change to take time.** As an agent of change, be prepared for it to take some time for your organization to understand the value of a digital business platform. Forrester has often heard that it takes three years from the time a change agent begins pushing the organization until a new way of thinking and acting really takes hold.

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Endnotes

- ¹ ENIAC: Electronic Numerical Integrator And Computer.
- ² Forrester defines “sustainable business agility” as “continually making one business change after another, large or small, in ways that make future changes easier, or at least in ways that do not adversely affect the ability to make future changes.” A key approach to achieving it is to combine architecture governance into Agile delivery projects. See the “[Agile-Plus-Architecture: Embrace The Oxymoron](#)” Forrester report.
- ³ Any industry can be disrupted by startups that have new ideas that they can implement with little capital requirement. Firms must be ready to react or to cause their own disruption. See the “[Digital Disruption Hits Retail Financial Services](#)” Forrester report.
- ⁴ Done right, APIs can open new angles into business strategy. APIs allow an enterprise to go beyond its traditional offerings to pursue new markets and customers by creating new products and services from its assets, data, or processes. See the “[How APIs Reframe Business Strategy](#)” Forrester report.
- ⁵ A digital business platform aims for agility across multiple ecosystems: customers, partners, your own, and new, adjacent ecosystems. Each of these is shifting from linear value chains to dynamic ecosystems. See the “[The Digital Business Imperative](#)” Forrester report.
- ⁶ A digital business platform builds on the concepts laid out by Forrester’s vision for the future of integration and solution architecture, called digital business design. See the “[Digital Business Design Is The New Integration](#)” Forrester report and see the “[The Future Of Solution Architecture: Six Business Design Focal Points](#)” Forrester report.
- ⁷ Digital customer experience and digital operational excellence represent two sides of digital strategy that must be integrated. See the “[The Future Of Business Is Digital](#)” Forrester report.

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- ⁸ Customers interact with your organization through a variety of channels. Understanding the channels, prioritizing among them, and designing experiences that cross channels are key aspects of CX excellence. See the “[Customer Experience Strategy Best Practices](#)” Forrester report.
- ⁹ IoT-based solutions can, in effect, operate as “virtual users” in the business environment. To illustrate, consider that a request to change the configuration of a factory machine could be sent to a human operator or, with IoT, could be sent to the machine and take effect digitally. Similarly, the operational status of a machine could be monitored by a human or sent digitally from a sensor installed on the machine. From digital architecture and business process points of view, in both cases, the human user and the IoT implementation fulfill equivalent roles.
- ¹⁰ The R and SkyTeam case studies (plus others) appeared in earlier Forrester research. See the “[Digital Business Design Improves Efficiency And Insight](#)” Forrester report.
- ¹¹ SOA: service-oriented architecture.
- Note that, subsequent to Forrester’s case study of Telefónica O2 Ireland, the firm was sold to Hutchison Whampoa, which now operates the firm as Three. Source: “Insights & Publications,” A&L Goodbody, June 3, 2014 (http://www.algoodbody.com/insightspublications/european_commission_clears_the_sale_of_telefonicas_o2_ireland_to_hutchison_whampoa).
- ¹² The Telefónica O2 Ireland case study (plus others) appeared in earlier Forrester research. See the “[Digital Business Design Sharpens Organizations’ Competitive Posture](#)” Forrester report.
- ¹³ To deliver truly standout experiences, companies must align a complex interdependent ecosystem of customers, employees, partners, and operating environments. Forrester calls this the “customer experience ecosystem.” See the “[Drive Differentiation With Your Ecosystem](#)” Forrester report.
- ¹⁴ Your journey to digital mastery begins with painting a powerful digital vision for the business — a vision that reimagines how the organization creates assets that delivers goods, services, and experiences that customers perceive as valuable. See the “[How To Craft A Better Digital Vision](#)” Forrester report.
- ¹⁵ Improving customer experience and customer obsession are important, and, at the same time, traditional business goals like reducing costs still remain as top priorities. In Forrester’s 2015 global services survey, 75% of global services decision-makers said that reducing costs was likely to be a top business priority for their organizations over the next 12 months (N = 2,812). Source: Forrester’s Global Business Technographics® Business And Technology Services Survey, 2015.
- ¹⁶ Firms that master turning insights to action form systems of insight to harness data, find the valuable insights, and implement them so they drive action that not only improves but also transforms customer experiences. See the “[Transform Customer Experiences With Systems Of Insight](#)” Forrester report.
- ¹⁷ Forrester’s integration vision for the next decade — digital business design — charts a path forward through the complexity: Put business design at the center of integration strategy, and thereby achieve coherent business operations in spite of application and technology silos. Forrester describes how eight organizations are applying business-centered design. See the “[Digital Business Design Improves Efficiency And Insight](#)” Forrester report and see the “[Digital Business Design Sharpens Organizations’ Competitive Posture](#)” Forrester report.
- ¹⁸ IBM sees the value of The Weather Company’s ecosystem play and is paying \$2 billion to acquire its weather assets (but not the TV channel). Source: Quentin Hardy, “IBM to Acquire the Weather Company,” The New York Times, October 28, 2015 (http://www.nytimes.com/2015/10/29/technology/ibm-to-acquire-the-weather-company.html?_r=0).
- ¹⁹ Even companies that make customer experience a strategic priority struggle to implement major long-lasting improvements. That’s because they fail to connect behind-the-scenes activities to customer interactions. Forrester identifies a complex set of such relationships we call the customer experience ecosystem. See the “[The Customer Experience Ecosystem](#)” Forrester report.

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- ²⁰ Note that, using Forrester's definition of "customer journey maps" ("documents that visually illustrate customers' processes, needs, and perceptions throughout their relationships with a company"), a customer's journey covers their relationship with your organization. An examination of customers' end-to-end processes will cover aspects of their dynamic ecosystem of value that do not touch on their relationship with your organization. See the "[Mapping The Customer Journey](#)" Forrester report.
- ²¹ Clients sometimes ask Forrester, "How are enterprises monetizing APIs?" What they are really asking is, "How are enterprises charging for API usage?" This is certainly a useful question, but monetizing APIs is a much bigger concept. See the "[Monetizing APIs: Help Execs Think Bigger, And Drive More Revenue](#)" Forrester report.
- ²² Many business architecture (BA) practices are in a state of flux. Often, business-focused enterprise architecture professionals define what they do and organize their resources based on a one-size-fits-all model rather than with a view to deliver stakeholder value. BA leaders have implemented centralized and decentralized approaches with varying levels of success. See the "[Business Architecture Operating Models That Deliver Results](#)" Forrester report and see the "[The Future Of Business Architecture: Developing Customer Driven-Business Models](#)" Forrester report.
- ²³ On the other hand, if the organization can't provide world-class delivery for it, a business capability is a candidate for outsourcing.
- ²⁴ Saxo Bank provides a good case study for business capabilities with independent GTM strategies. See the "[How APIs Reframe Business Strategy](#)" Forrester report.
- ²⁵ For example, European banks facing a revised Payment Services Directive (PSD2) have concerns that API enabling capabilities will open them to disintermediation. But disruption and disintermediation may happen anyway, and business APIs can help them to be prepared in advance and then to either 1) respond quickly when disruption happens and 2) choose its own timing for causing ecosystem disruption by exposing APIs externally. See the "[APIs Turn Disruptions Into Business Opportunities](#)" Forrester report.

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