



IT: Digital's Achilles' Heel

Avoid being tripped up on the digital battlefield.

By Rudy Puryear, Steve Berez and Vishy Padmanabhan

Most companies have taken the first steps toward doing business in a digital world. They've set up flashy websites, built mobile apps, opened e-commerce stores and taken to social media. Regardless of what companies offer—whether it's a machine tool or a bank account—they now transact business with their customers via digital channels at least some, if not all, of the time. Thanks to Big Data, companies can now learn more about what their customers want and need. And, because of the abundance of information available online, their customers can learn more about their products and services, and more about those of their competitors as well.

While digital initiatives can deliver value, many executives have been lulled by a false sense of progress. Others have been disappointed that their digital efforts haven't helped their business more. Sooner or later, every company will encounter roadblocks on its digital journey. The obstacles are likely to arise when a company tries to connect its digital initiatives with the organization's hundreds of legacy IT systems and databases. In many cases, those systems have been in place for decades and can't interface with new digital apps and architectures. And the data stored in these systems often isn't ready to be accessed by digital solutions. Companies have plenty of data, but many fail to use it to their best strategic advantage. At the same time, their operating models can't work at the speed of digital, and the company's IT skills aren't equipped for a digital world. Legacy IT, in short, can become the Achilles' heel that thwarts digital success.

Companies are finding they need substantial work to make their legacy systems, data, operating models and skills ready for digital—a priority that companies have begun to recognize. A Bain & Company survey of 150 technology decision makers shows they plan to spend 45% of their incremental dollars on building digital capabilities and 55% on modernizing their existing technology stack to make it digitally ready.

Some companies have learned the hard way about the pitfalls of moving ahead in digital without simultaneously addressing core IT. A leading global bank, for example, created fast-moving employee teams in the

customer-facing part of its operations, only to discover that these teams could accomplish very little without interacting with the other, slower-moving parts of the organization and the existing technology stack, which wasn't designed for speed.

Fast-food companies have spent years building a broad suite of systems to efficiently manage all aspects of food preparation in their restaurants. These systems were designed to serve two streams of customers—those at the front counter and those at the drive-through window. In a digital world, though, customers now expect to order meals from their smartphones. The food companies have responded by creating front-end digital apps that enable customers to see the menu, place an order and designate a pick-up time. They can then retrieve their food either at the front counter or the drive-through window.

While digital initiatives can deliver value, many executives have been lulled by a false sense of progress. Sooner or later, every company will encounter roadblocks on its digital journey.

Building this kind of app is relatively easy; it can take as little as a few weeks. But the smartphone apps have had the unintended consequence of creating a third queue of customers, whose needs have to be melded with the other two. That causes traffic jams, and many fast-food operations are struggling to modify legacy “back-of-the-store” systems that were designed for two queues, not three. A front-end app that looked like a win for consumers may not be such a convenience after all—not if their orders get mired in back-end systems that can't respond fast enough.

Some companies have approached digital with a two-speed IT mindset: a faster gear for the customer-facing parts of the business and a slower pace for the rest.

IT: Digital's Achilles' Heel

Our experience suggests that a two-speed approach to digital—a faster gear for the customer-facing parts of the business and a slower pace for the rest—is suboptimal. In our experience, businesses that put digital on a fast track without addressing the core technology stack and operating model are bound to hit a wall. Companies that don't take an integrated approach find that their digital efforts take more time, cost more money and deliver less value than they anticipated. (See the Bain Brief “Fast and Faster: Why a Two-Speed IT Model Is Off Track.”)

Our experience suggests that a two-speed approach to digital—a faster gear for the customer-facing parts of the business and a slower pace for the rest—is suboptimal.

On the other hand, companies that do the hard work up front reap the benefits. One large US retailer struggled with a legacy IT organization that responded slowly to the needs of the customer-facing parts of the business.

The retailer shifted to a product model that tied funding of applications more directly to business outcomes, while moving the entire company toward Agile development. The parts of the business that adopted the new model first showed dramatic gains in speed and quality while reducing cost.

Executives aspiring to win in digital can start by asking themselves some critical questions:

- Do we understand the IT implications of our digital efforts and aspirations?
- Do we have an integrated roadmap in place to remove the IT constraints and enable digital success?
- Do we have the funding, management commitment and accountability in place to execute the roadmap over multiple years?

Getting an entire company, including its legacy IT systems, to move at the speed of digital is a multiyear journey that can require substantial investment. But it's no longer optional: For many organizations, IT has become digital's Achilles' heel. Companies ready to forthrightly address the technological, organizational and financial impediments blocking their path stand the best chance of winning in digital. 

Rudy Puryear is a partner in Bain & Company's Chicago office and leads the firm's Global IT practice. Steve Berez is a Bain partner based in Boston and leads the firm's IT practice in the Americas. Vishy Padmanabhan is a partner with Bain's IT practice in the New York office.



Shared Ambition, True Results

Bain & Company is the management consulting firm that the world's business leaders come to when they want results.

Bain advises clients on strategy, operations, technology, organization, private equity and mergers and acquisitions. We develop practical, customized insights that clients act on and transfer skills that make change stick. Founded in 1973, Bain has 53 offices in 34 countries, and our deep expertise and client roster cross every industry and economic sector. Our clients have outperformed the stock market 4 to 1.

What sets us apart

We believe a consulting firm should be more than an adviser. So we put ourselves in our clients' shoes, selling outcomes, not projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business. Our Results Delivery® process builds our clients' capabilities, and our True North values mean we do the right thing for our clients, people and communities—always.

Key contacts in Bain's Global Information Technology practice

Americas

Steve Berez in Boston (steve.berez@bain.com)

Vishy Padmanabhan in New York (vishy.padmanabhan@bain.com)

Will Poindexter in Chicago (will.poindexter@bain.com)

Rudy Puryear in Chicago (rudy.puryear@bain.com)

Asia-Pacific

Arpan Sheth in Mumbai (arpan.sheth@bain.com)

Europe, Middle East and Africa

Stephen Phillips in London (stephen.phillips@bain.com)

Marc van der Vleugel in Brussels (marc.vandervleugel@bain.com)

For more information, visit www.bain.com