Transcript

[00:00:03] Nick: Welcome to *EGN Leadership Conversations, the untold secrets of the C-Suite*. I will be speaking with industry leaders on hot and trending topics. Enjoy the podcast. I have with me, Daniel Angelucci. He's the managing director with Alvarez & Marsal. Daniel is with us to talk about scalable IT for digital. Daniel, a warm welcome. How are you today?

[00:00:33] Daniel Angelucci: I'm doing really well. Thanks, Nick. It's great to be here, looking forward to the discussion.

[00:00:38] Nick: Great. Would you like to just start by introducing yourselves to the listeners?

[00:00:42] Daniel: Sure. Again my name is Dan Angelucci. I'm a managing director at Alvarez & Marsal. Alvarez & Marsal is a consulting firm. I am not a native consultant. I'm relatively new to this game. I spent a few years in the Digital Center of Excellence at Kearney prior to my time at Alvarez & Marsal. Before that though, I was with I was the CTO for Asia for a company called DXC, so a large SI, and I've spent time with DHL and I've spent time with Visa, so really part of the industry in IT.

One of the interesting things about my role now is to take that industry experience really into the consulting world. That's massively challenging, but massively rewarding. It's about execution more than it's about PowerPoint. I really enjoy the job.

[00:01:28] Nick: That sounds exciting, execution rather than PowerPoint. I'm looking forward to dig into this today with you, Daniel. Let's jump into the topic then. What do you mean with scalable IT for digital?

[00:01:39] Daniel: One of the interesting observations I think is that when I go to customers, it's no longer to describe digital transformation. I think almost every customer that I've run into has done a little bit of digital transformation, whether that be a couple of guys doing agile in the corner who are turning around, so pretty significant ROIs with respect to using analytics or whatever.

The challenge though is that for a billion dollar company, for them to take these guys into a corner and actually turn that into something that moves the needle for the organization because when the time comes for the budgets to tighten, those guys in the corner look like

they could be sacrificed. In order to actually scale out something like that, those small teams that are really being successful, the first people you have to talk to are the IT team because they actually hold the keys to a lot of the kingdom there in terms of being able to build out the capabilities with platforms and technology to really deliver digital.

The problem is is that these IT teams they're built differently. Many of the ones that I run into have been built effectively for last century solutions, very large ERP projects that take two years. These organizations are quite successful at being able to deliver within that context, but that's not what digital looks like at all. The ability to scale is almost the ability to scale, to deliver very small pieces of functionality to incrementally add to the business and doing it very, very fast which is something that IT organizations just typically don't do.

There's a scalable side of that with respect to how platforms are delivered that's become an enormous challenge. Effectively when we talk about two-speed IT, those are the Gartner term around how this works, actually we're really talking about not just two-speeds but two aims. One is to simplify and industrialize some of the capabilities, and the other is to deliver really quickly incremental business value over and over and over again, then IT organizations are challenged by that.

I think that's been one of the big things that we've seen as a roadblocked digital, is organizations in the IT realm are just not built like that. That's been something that I've really focused on in terms of trying to get people to transform into an organization that looks more efficient with respect to delivering digital.

[00:03:59] Nick: That sounds very exciting, Daniel, and I like to hear the speed factor here because that's certainly something that I think is on my mind and everyone's mind and how long will this actually take before we can see the some benefits and the fruits here. Looking forward to digging a little bit deeper here with you, Daniel. Maybe you can just share with us what are the three key things to look out for here when it comes to scalable IT for digital?

[00:04:22] Daniel: The biggest thing is probably to look at the actual goal orientation for what are in effect separate organizations that deliver the digital promise to organizations with respect to their business. One side is, again, the platform side, and the platform side is about reusable componentry and how it is that you can build out that cheaply. It's really about lowering the unit cost of IT over time, so it gets cheaper.

There's an organization that really needs to be focused on exclusively that, delivering something cheaper at scale. The other side of that, which is really around the customer experience, and that organization's goals are entirely different. They're much more focused on how it is that the top-line revenue growth can occur within the business, and how digital can drive that. These two pieces, a lot of organizations I see as actually conflating. What happens is you have this problem where you're really asking people to do the impossible. You're like, "God, do it cheap and do it at a scale, but do it as quickly as possible and make sure you do exactly what the business says." That is a very, very difficult problem to manage.

I would say there's three things to really focus on in terms of delivering digital, is one, make sure the goals are correct for the organizations that you actually have in scope and part of the discussion. Second is, as you said, to recognize that speed is absolutely key, but you have to do it in a reasonable way. You have to make sure that you're doing things right, not just doing the right things. That goes back to how it is the platform can be deployed at scale.

The third is how can you make sure that your unit costs are always in view, that you really understand how it is that you're making it cheaper even as your business volumes grow. I often get asked to come in and look at IT budgets, talk about cost cutting. Frankly, I've never

seen an IT budget actually go down. There's always more stuff for people to do. They continue to leverage that IT investment across the board. The question is, what are you getting out of it? Are you getting more of what you need in order to actually increase the top-line and the value to your business? That's something that we need to keep extremely focused on. I think these sorts of models balance that well.

[00:06:30] Nick: I was just going to ask you also, Daniel, why should companies spend money on this, and what should the resources go to?

[00:06:37] Daniel: It's a great question. The more companies I talk to the more I hear that we're a technology company, regardless of what business that they're in. I spoke to a large manufacturer of autos, an auto OEM, who tells me they're a software company. I see in the press that a company like Pelotons making bicycles effectively, stationary bicycles, they say that they're a digital company. The reason why I think is because this is actually how organizations are differentiating going forward.

Their ability to be focused on the customer experience and to deliver that in a cheaper way is what's driving the new creation of value that's associated with the digital world out there as we call it, but I guess that's why it's so important for companies to really understand this, is because the ones that aren't doing this, the ones that are really stuck in a traditional mode, those are the ones that are showing themselves as being least successful going forward.

One of the key things that I get to work with here at Alvarez & Marsal, I get to work a lot with private equity, I get to little work with activist shareholders, and I can see what it is that they value from not just a cost perspective, not just a revenue perspective, but from a valuation perspective. The reason why this is important is because the companies that are winning at digital are the ones who are winning the valuation exercise. It's really a value creation that's being done, and that's what makes the investment worthwhile.

[00:08:04] Nick: I like that. It is about value creation and the fact that we're talking about this in terms of scalable IT in digital is fascinating to me. Things are moving so fast. Daniel, we are coming out of the pandemic and perhaps there's wars around the corner, more wars, and the supply chain crisis or disruptions. What have then changed during recent times, so if we're looking at 2022?

[00:08:29] Daniel: I think with all of the geopolitical changes, the rise of things like ESG, I think what the big issue that we've seen is the ability to be flexible. I think it was Mike Tyson who said, "Everybody's got a plan until they get punched in the nose." I think IT teams have learned that certainly over the last two years, is that the plans are great but you have to be flexible and you have to be flexible in a way that it's not just provisional. You have to win with flexibility.

I think that piece of it is certainly one of the big lessons that I've seen organizations start to learn. As 2022 bleeds into 2023 and into the future, I think the winners are going to be the people who really understand how to leverage that flexibility. There's been a lot of talk within the field, certainly around IT, about the great resignation, the war for talent, and things like that. I think a couple of things that are certainly new in 2022 is that we're starting to see an inflection point there.

It's a bit of a mystery to me how it worked anyway because you'd go out and people who would say, "Oh, I'm resigning my job." Half of the people that were involved in this one particular company, they would be saying that they were going to resign but people would say that there's a labor shortage. Those two things actually don't match up. If people are resigning, you should be able to get a workforce.

I think what we're seeing is that in the digital realm, organizations are realizing that the problem isn't that there's a workforce shortage, the problem is that these people don't want to work for them. Companies are actually adjusting their value proposition with respect to employees to be more respectful of a lot of the things that have gone underwater with respect to the pandemic, and they're able to attract talent in a much more efficient way.

The talent is out there. I think that the thing is that the employee promise has to match the talent. I see more and more organizations starting to recognize that as a reality and are starting to adjust appropriately. As a result, I think the industry is heading in the right direction with respect to that by them.

[00:10:36] **Nick:** I like that, Daniel, the talent is indeed out there, but do you have the right offering for them and is it what they want? That's the most important thing and it's never been more important than right now. Just leads me then to the last question here. Can we make sense of all of this, and particularly how can we make scaling in IT for digital a competitive edge?

[00:10:58] **Daniel:** I think the keyword is scale. I think as we've seen organizations mature with respect to digital, I think we've seen the last vestiges of the CIO as being a back office functionary start to really disappear. The organizations that are really looking forward looking with respect to this are the organizations that have recognized that their top-line growth and their bottom-line growth are both 100% dependent upon the ability for them to execute at scale within IT, simply that there are no projects anymore, at least there are very few projects that don't involve technology at some level, whether it's supply chain technology or ERP, or whether it's digital technology and new sales channels, all of these things involve the IT team and the CIO needs a seat at that table.

The organizations where the CIO is still reporting to the CFO or the COO, these are the organizations that I have my doubts about their level of commitment to what is, I believe, an inevitable future around the deployment of technology at scale. When you ask the question, how can we make sense of it? The first thing is to get the right leadership in the right position within the organization, and for the organization to really begin to accept that this is necessary in order for you to compete in 2022 and beyond.

It's not possible for you to consider IT as a back office function anymore. It is the thing that's driving your business success for better or for worse. I think that that piece of it is a big wake up call for a lot of organizations.

[00:12:33] **Nick:** I see exactly this, Daniel. We tried to start up a digital sub transformation peer group in Singapore back in 2018. At that time, the executives didn't really manage to book even the conference room in the company and they couldn't get a membership approved. Now in 2022, we have opened a second peer group. Now, as you say, they have taken the seat and basically the advisory board, they are at perhaps even at the corner of the table leading the meetings because everyone want to talk to the IT experts. That's what I've seen, Daniel. We are speaking the same language here. What do you think?

[00:13:08] **Daniel:** Yes, absolutely. It was interesting. I was at an EGN meeting for the digital transformation group and for whatever reason, a CFO showed up. It actually works both ways as well. The CFO was there to learn about how it is that we digital folks talk to each other. What I thought was also interesting was that we as digital folks were just keenly interested in how he viewed us.

I think as a professor it's a very interesting time to be in IT. I think over the course of the last generation the bar for what is competent within IT has been unacceptably low. I can't even imagine like an accounting team saying something like, "Well, we got it right like 99% of the

time. Is that okay?" I don't think that would work, but that's generally how IT teams approach the problem.

I think that what we learn from these sorts of meetings and the discussions that we have flowing amongst ourselves as well as with folks like this CFO who came, is that our profession needs to change as well. It needs to change in some fairly specific ways around making sure that we really are disciplined in the same way that, say, an accounting team is. I think that that's be really important going forward. It's just a great bit of insight that you get from meeting the right people and having those discussions.

[00:14:23] Nick: Absolutely. Very fascinating discussion today, Daniel. I thank you so much for that. If any of the listeners want to continue the conversation with you, what's the best way for them to reach out to you?

[00:14:34] Daniel: I am fully omnichannel enabled, so you can certainly catch me on LinkedIn, you can drop me an email, or I certainly are at the EGN functions as well. I'm happy to talk to you then. Please, I love talking about this, it's not just my job it's really my passion. If that hasn't come across, I hope it did. I really do enjoy talking about this. Please contact me.

[00:15:01] Nick: Thank you so much for being with us today, Daniel. I wish you a great rest of the afternoon and week.

[00:15:07] Daniel: Thanks a lot, Nick. It's great to be here.

[00:15:09] Nick: Thanks to all the listeners who've been following the conversation with Daniel about scalable IT for digital. Thank you for listening to *EGN Leadership Conversations, the untold secrets of the C-Suite*.

[00:15:32] [END OF AUDIO]

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