Digital: a 2 speed IT world

Milan, May 22nd 2014

Who is the Boston Consulting Group (BCG)?

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Who is the Boston Consulting Group (BCG)?

Background

International consulting company established in 1963, leader in its market
- Founded by Bruce Henderson, known as the father of strategic planning
- The first management consulting firm that focused on strategy as a discipline
- Dedicated to help companies develop strategies to create competitive advantage, increasing value for the client
- Serving Fortune 500 companies and their equivalents in the whole world

Organized in industry and functional practice areas with a world wide network of offices that serve regional and global clients

BCG's value proposition

Support large companies with themes around strategy and competition
- In general large companies that are leaders in their industries
- Trying to maintain and improve their positions
- The majority being long term relationships

Help clients to develop sustainable competitive advantages in order to reach superior profitability
- BCG's success depends directly on the success of its clients

Offer high quality professionals in the main markets where BCG acts

> **Worldwide presence: 83 offices in more than 40 countries, more tahn 10% of revenues from IT projects**

BCG service model in Technology and Digital

| BCG
Technology Advantage practice | Platinion
The IT Architects | BCG Digital Ventures
A venture firm |
|---|---|---|

Global experience and unique capabilities
- Strategy consultants with deep IT expertise
- Digital capabilities to develop solutions with clients

Ability to bring strategic and integrated perspectives to IT

Focused on
- Strategy, Transformation, Sourcing, Organization, Performance, Digital

Wholly-owned subsidiary of BCG
- Experienced IT professionals, with credentials in computer science or business informatics
- With tight integration with BCG

Real expertise in IT implementation
- Complex IT Architecture design
- Value assurance
- Agile development
- Testing strategy
- ...

Venture capital firm
- Strategically partner with clients to launch and stand-up digital ventures and capabilities
- Over 50+ digital products and businesses launched in last 4 years

Multi-disciplinary top talents
- Drawn from digital industry leaders, e.g., eBay, Amazon, Nike

Unique methods for innovation, design and rapid prototyping

Note: Business mix reflects average of past three years (2008-2010)

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Digital: a 2 speed IT world

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Digital is redefining customer's behaviors

Online purchase and electronic tickets

New media consumption mode
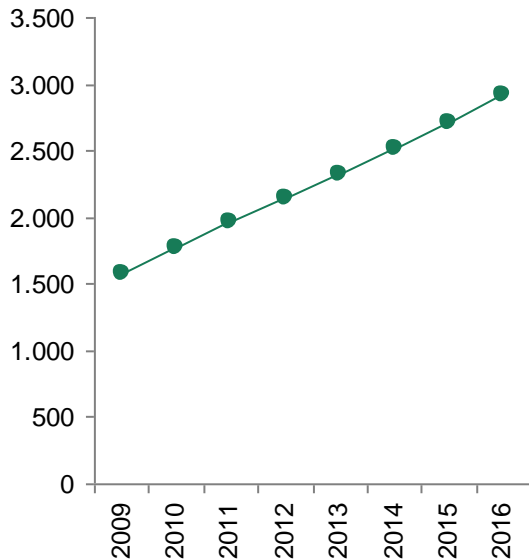
New social behaviors

Trends are triggered by expansion of Internet access, and amplified by the shift towards mobile connections

Population with internet access strongly growing...

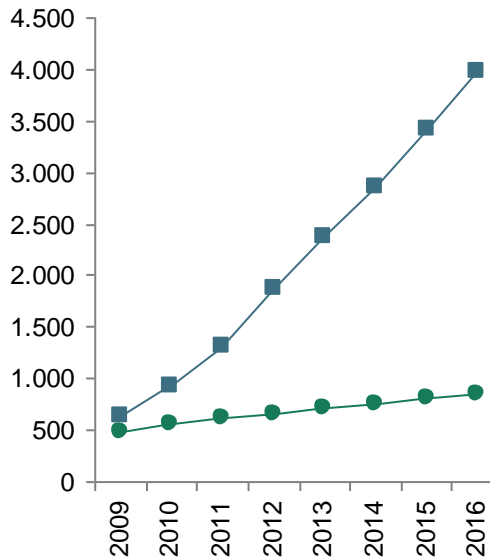Global internet users estimate and forecast, 2009–16

Internet users (M)

... mobile broadband growing even faster...
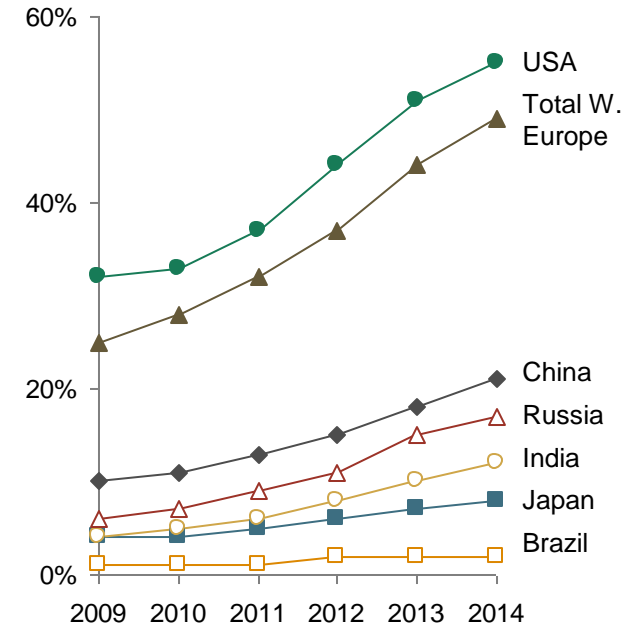
Global fixed and mobile broadband subscription, 2009–16[1]

Broadband connections (M)

- ●— Fixed broadband subscribers
- ■— Mobile broadband connections

...and smartphones are gaining share

% of total mobile handsets represented by smartphones

USA
Total W. Europe
China
Russia
India
Japan
Brazil

1. 2011-16 forecasts for fixed, 2012-16 forecasts for mobile
Source: EIU Market indicators, 2012; Ovum Fixed Broadband Forecast: 2011–16, Mar 2012; Ovum Mobile Broadband Connections and Revenues Forecast: 2012–17, Aug 2012; ITU World Telecommunication/ICT Indicators database; Forrester, Morgan Stanley

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Pure digital players set new customer's expectations: Anything, anytime, anywhere

Simple, intuitive & integrated access	Minimum number of actions required, following best practices set by pure digital players
Seamless integration across channels	Initiate and complete transactions across different channels, synchronize information
Dynamic customization	Instant recognition as a unique customer including history and context, providing tailored and proactive interactions, and pushing real-time personalized offers
Trading up / trading down	Clear product offer and pricing transparency, easily accessible & comparable products with value addition or best deal on commoditized product
Data-driven expertise	Deep expertise expected from sales representatives beyond other sources available to the customer
Customer sovereignty	Easy access to information from external sources allow customer to make a sovereign choice
Excellence in delivery	Speed and simplicity, transparency of delivery (commitment on time, real time access to delivery status, delay alerts, etc.)
Short cycles	Entertainment of customers with continuous launch of new products and fast integration of latest technologies

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Managing two conflicting trade-offs for the business and technology organisation

Need for Industrial Strength

Robust, non-stop, reliable 24x7 processing

Always accessible services on channels

Fault and error free

Stable, Measured, Controlled

Cost effective

New Customer Demands

Responsive to rapidly changing customer expectations

Responding to competitors and new entrants from other industries

Dealing with new data sources, suppliers and partners

New platforms for access social media

Keep up with pace of technological change

Speed, Agility, Risk

Managing both worlds requires a dual-speed-ready IT organization

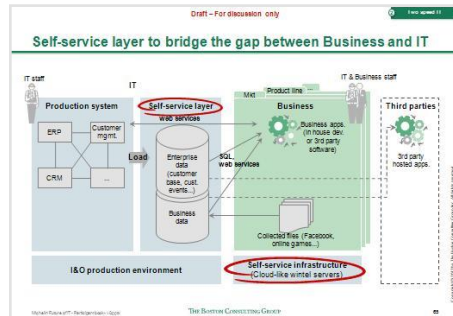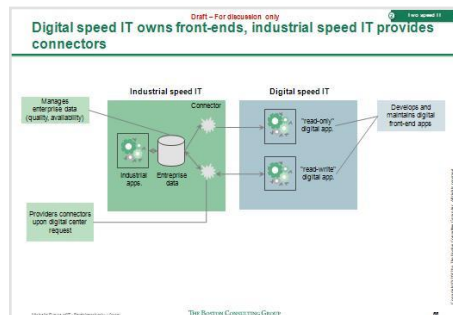|	**Industrial speed**	**Digital speed**
Applications	• **Mature** • Built on technologies with **long life-cycles** (e.g., Oracle, Siebel, Dassault Systems, Cobol...)	• **Emergent**, **short lifetime** • Built on fast-changing technology combined with legacies
Speed and cycle time	• Release cycles often **6-12 months** • **Planned** according to business needs	• From idea to deployment within **weeks** • **Reacting** to user needs and competition
Methodology and tools	• **Waterfall** approach, hierarchically organized • **Established** programming languages and frameworks	• **Agile** tools, **self-organizing** teams • Fast-evolving SDKs • "YAGNI"[1] principle, automatic unit testing
Skills	• **Specialized** profiles : business analysts for requirements and developers for technical implementation	• **Jack-of-all-trades** combining up-to-date technologies knowledge and business orientation

1. "You Ain't Gonna Need It"

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3 key challenges to bridge the gap ...
BCG's vision based on the different pieces of work done with leading companies' CIOs

Data architecture	**Governance**	**Operating model**
On top of the usual closed "production system", IT has to support an **open architecture for business**	IT governance has to adapt to the **new paradigm of closer / joint governance**	Adapt operating model to "Two-speed IT" world

"Self service" layer

Prototyping

Multi-mode

Digital IT as "Front end"
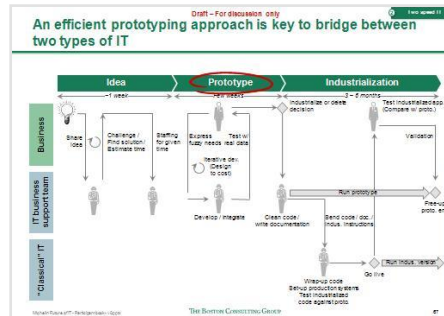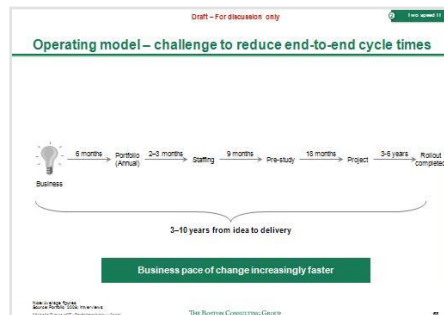
End-to-end cycle time reduction
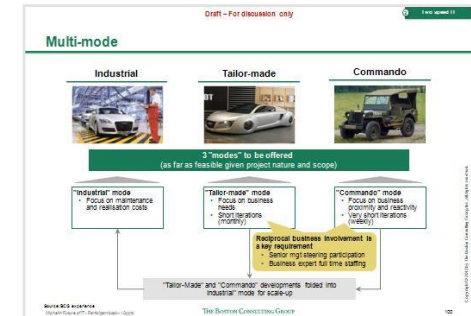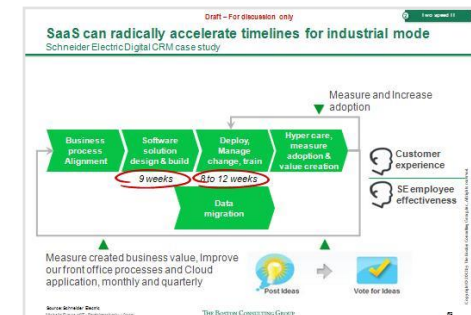
SaaS-enabled acceleration

... and differentiated metrics to measure IT performance

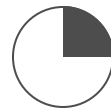## BCG's vision based on the different pieces of work done with leading companies' CIOs

"Industrial speed" for production services

"Digital speed" innovation and prototyping

Speed

Time – to – delivery
- Respect of planned timelines with business
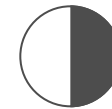
Time – to – market
- End to end, from idea generation to market launch

Productivity

Cost efficiency in run and change
- Industrialized and easy-to-produce metrics, used for budgeting purposes and extended to third parties

Business - IT throughput

Quality

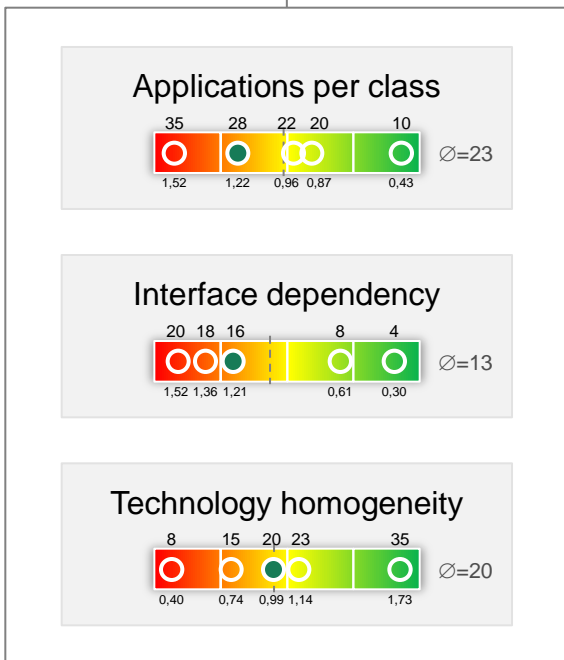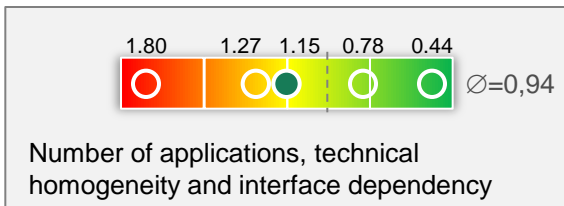**Security, reliability and maintainability**
- In back end and processing

Service availability of channels

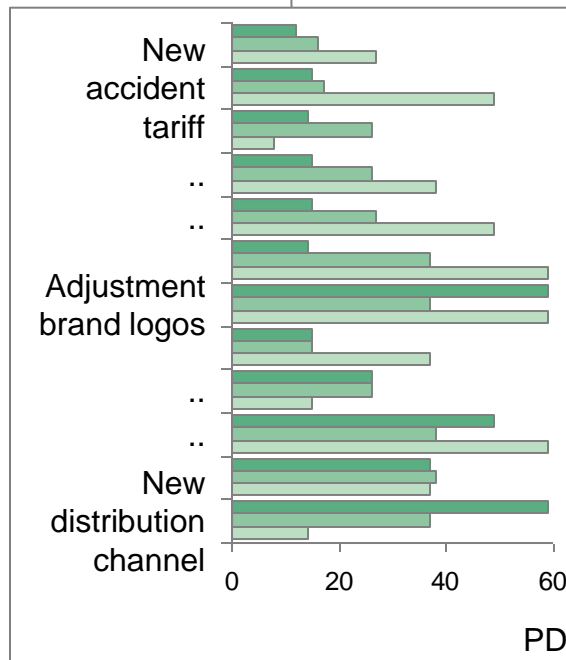**"Double standards" approach for new products and services**
- Minimum viable product vs. industrialization

Source: BCG experience

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The "2 speed IT world": complexity reduction, flexibility and robustness

Complexity

| 1.80 | 1.27 | 1.15 | 0.78 | 0.44 | ∅=0,94 |

Number of applications, technical homogeneity and interface dependency

Applications per class

| 35 | 28 | 22 | 20 | 10 | ∅=23 |
| 1,52 | 1,22 | 0,96 | 0,87 | 0,43 | |

Interface dependency

| 20 | 18 | 16 | | 8 | 4 | ∅=13 |
| 1,52 | 1,36 | 1,21 | | 0,61 | 0,30 | |

Technology homogeneity

| 8 | 15 | 20 | 23 | 35 | ∅=20 |
| 0,40 | 0,74 | 0,99 | 1,14 | 1,73 | |

Flexibility

| 1.5 | 1.4 | 1.1 | 0.7 | 0.5 | ∅=1,0 |

Average relative effort per sample requirement

New accident tariff
..
..
Adjustment brand logos
..
..
New distribution channel

PD

Robustness

| 35 | 20 | 18 | 11 | 5 | ∅=18 |
| 1.97 | 1.12 | 1.01 | 0.62 | 0.28 | |

Percentage of error correction effort of total development effort

Error correction effort (PD)

Sales
Collection/disbursement
Print systems
Policy admin.
Claims
Commission

Change effort (PD)

Source: BCG insurance architecture benchmarking 2012, simplify IT ID #036

BCG Cast.pptx

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Thank you