

Digital Disruption Survey 2024

HOW BUSINESS AND TECHNOLOGY LEADERS COLLABORATE TO CREATE VALUE

Better conversations and a focus
on measurable results are key

Introduction

Driving value from digital investments has never been more urgent, but the payoff remains elusive to many organizations.

By a 4-to-1 margin, business leaders are more likely to say there is a significant revenue opportunity from disruption than a significant threat to revenue. That seems like a good bet, but outside the technology industry, less than a third (32%) say their companies take that bet and always or usually lead disruption in their industry.

The purpose of this report is to uncover why this is so. Why is the opportunity bigger than the response? What are leading companies doing differently? How can companies become better at applying innovative new technologies, like AI? How can they gain competitive advantage from core legacy systems? And how can they build better teamwork between and among business and technology executives?

Digital technology is both a force and a function. It is a force because accelerating technological change shakes up the dynamics of competition, disrupts old business models, creates and destroys value in often-unexpected ways, and upends the best-laid strategic plans. Dealing with digital disruption is essential for every company's future.

But digital is also a function. IT is part of day-to-day operations; it's a department with a budget and deliverables and a stack of technology to keep running and up to date. Managing digital technology is essential for every company, every hour, every day.

If there is one major finding of this study, it is that a productive, strategically effective approach to digital disruption requires a constructive relationship between the

people responsible for a company's business performance, and those whose job is to operate, maintain, and improve its operating systems, especially its technology. When business and technology teams work best, they are collegial and respectful, of course; but what really distinguishes the best performing companies is their mutual ability to identify and hold each other responsible for corporate goals, not just functional plans and budgets, and to each hear what the other is saying.

This report shows how the most successful companies manage the double-sided nature of IT. How do they turn digital disruption to their advantage while still delivering reliable, robust, cost-effective solutions to run their businesses smoothly? The best companies actually do that: They rebuild the plane while flying it.

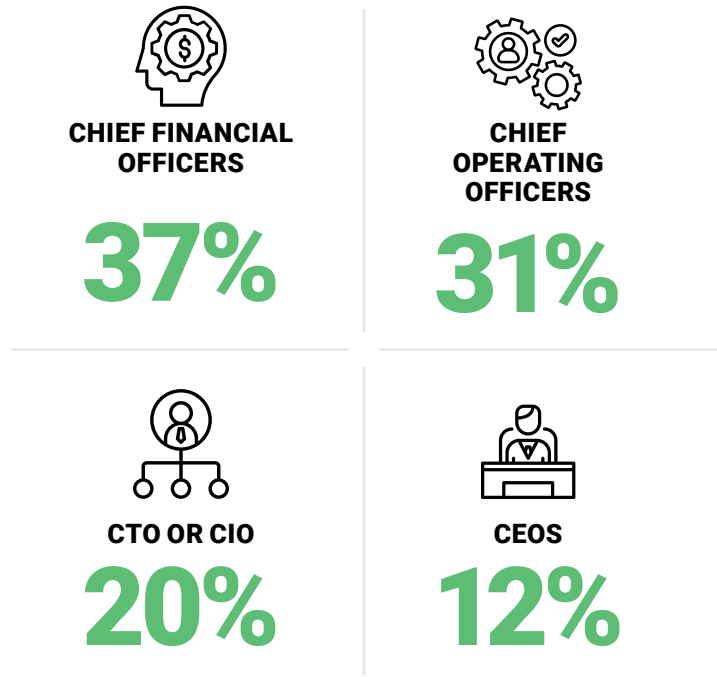
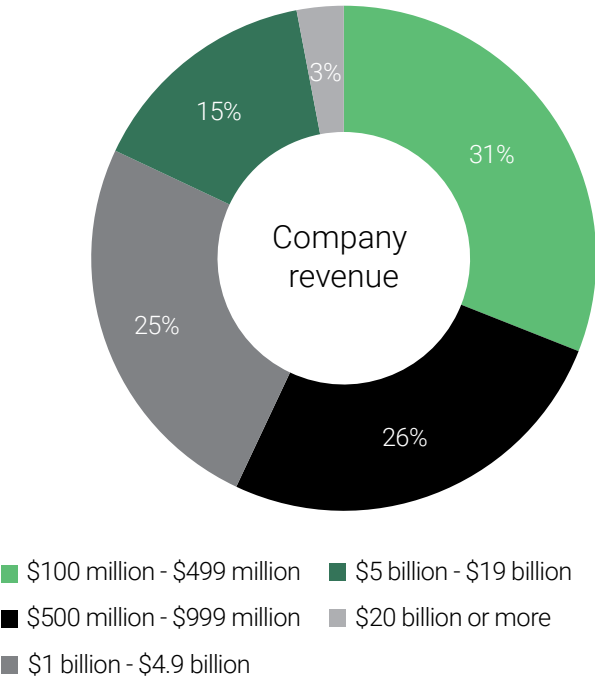
This study makes it clear that the companies that most successfully harness disruptive technologies have efficient and up-to-date legacy technology systems as well. Companies that keep their technology costs under control invest more effectively in innovative new technologies like artificial intelligence (AI). The fundamentals are, indeed, fundamental.

There are inherent tensions between business and technology leadership. The best leadership teams resolve those tensions creatively and with an eye on enterprise value. They produce business results, not science experiments. Bold in innovation, they are practical in purpose.

About this study

The data in this report come from an online survey of 750 C-suite executives from companies in the United States and Europe with revenues greater than \$100 million. Six hundred of the executives are business leaders, of whom 16% are CEOs, 36% chief operating officers, and 46% chief financial officers. The remaining 150 respondents are technology leaders, of whom 60% are chief technology officers and 35% chief information officers.

They come from aerospace and defense (5%), automotive and industrial (9%), consumer products (8%), energy and power generation (5%), financial services (21%), healthcare and life sciences (9%) media and entertainment, (8%), retail (15%), telecommunications (8%), and technology (13%) companies. Eighty-five percent of the respondents' companies are publicly traded, while 15% are owned entirely or substantially by private equity firms. The survey was conducted online between June 11 and 24, 2024.





KEY FINDING #1

Digital disruption is an opportunity—but many companies struggle to capitalize on it

As the rate of technological change continues to accelerate, the question is not whether digital disruption affects a company, but how it reacts.



KEY FINDING #2

The shift of AI from shiny object to real gold

Companies have been on a determined hunt for AI tools and other applications since the launch of ChatGPT in 2022. Now measurable results are increasingly within reach.



KEY FINDING #3

The fundamentals are fundamental

The best companies don't let legacy hold them back. Legacy systems are critical for competitiveness, growth, and the ability to thrive amid digital disruption.



KEY FINDING #4

Performance jumps when business and technology leaders are in sync

It's critical that the business and technology leadership teams find constructive ways to share ideas, sort through choices, and hash out differences.



KEY FINDING #1

Digital disruption is an opportunity—but many companies struggle to capitalize on it

It's hardly a secret that technological change and its disruptive impact continues to accelerate. Software alone accounts for more than three out of five U.S. patents. Google searches for the term "digital transformation" continue to increase. At the time of publication, around 60% of the S&P 500's returns in 2024 can be attributed to the top 5 tech stocks alone. The gap between winners and losers continues to widen.

More than 40% of executives consistently say their company has been significantly or severely disrupted by each of several digital technologies and trends—artificial intelligence, cybersecurity, smart devices, and more—and almost no one claims to be unaffected.

The question is not whether digital disruption affects a company, but how it reacts. Not the what, but the now what? Does a company lead—being the disruptor, seeking a first-mover advantage—or does it let others run that risk (and earn the potential reward)? Is this a case where being a fast follower could prove an advantage? Does an organization perceive disruption as an opportunity or a threat? Where does it direct its digital dollars—into which competing priorities, cutting-edge projects, and continuing plans?

More companies see digital disruption as an opportunity than a threat

The vast majority of executives (88%) see at least some upside to digital disruption, that is, a positive impact on revenue growth. And 37% see that impact as being significant or even extremely high.

That varies a bit by geography. Companies in DACH (Germany, Australia, and Switzerland) are the most likely to see significant or extreme upside (a surprisingly high 51%), followed by Italy (44%), Great Britain (34%) and the United States (33%). The French are most skeptical, with 30% seeing a big digital disruption upside.

Size matters. Companies with revenues under \$500 million are much less optimistic about digital disruption than larger rivals. Just 29% of smaller enterprises see significant or extreme upside, vs 41% of larger enterprises. When it comes to shaking markets instead of being shaken by them, the presumed agility of smaller outfits does not appear to overcome their disadvantages in resources and scale.

Industry matters a lot. Few executives in energy and power generation see a significant revenue upside (7%) from digital disruption. Aerospace and defense (A&D) (21%), and automotive and industrial (29%) are cautious, too. Consumer products, financial services, and retail come next, followed by healthcare. Telecommunications, media and entertainment, and (especially) technology companies are most bullish.

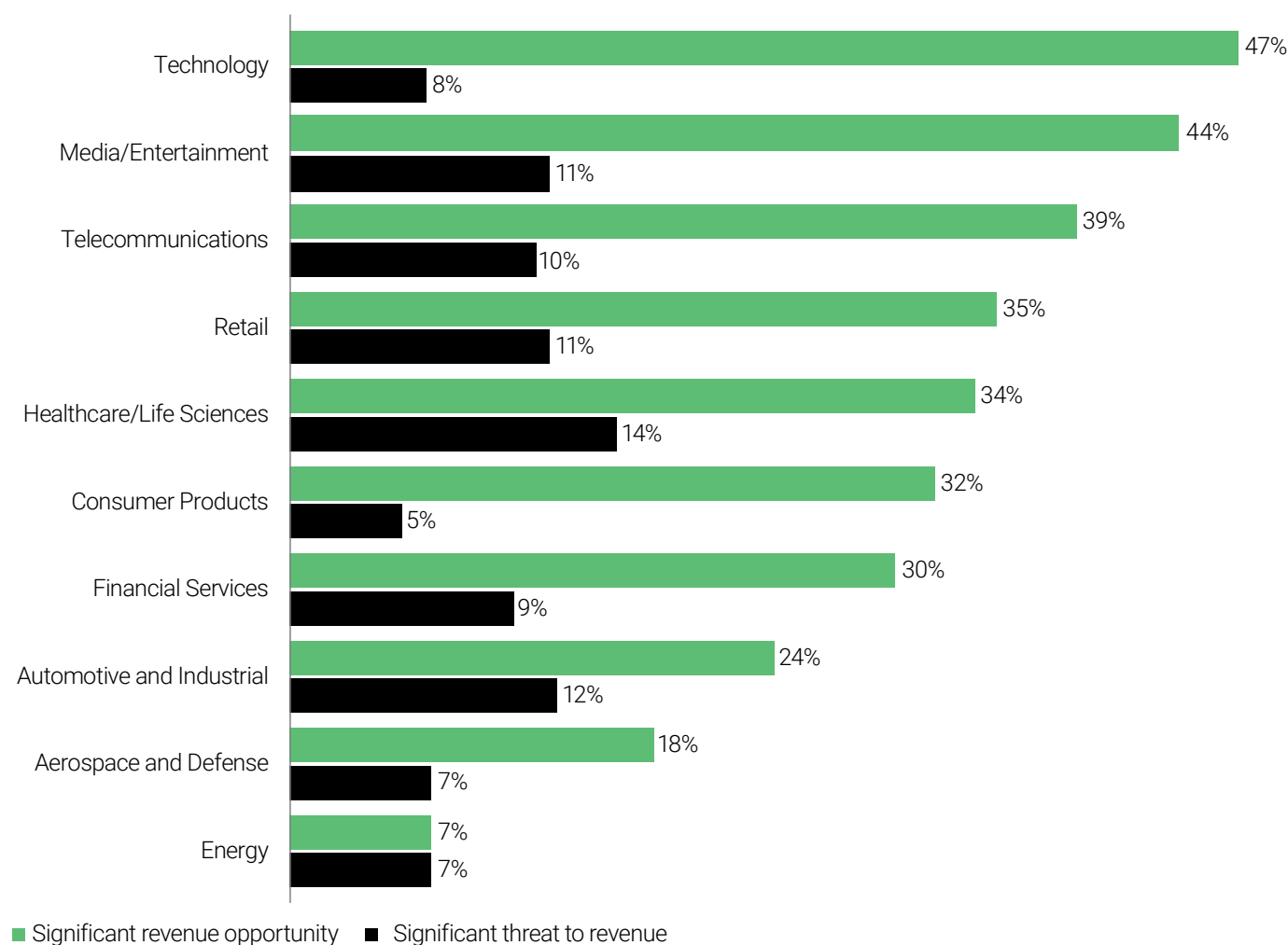
What about the bears? Overall, 54% see at least some threat to revenue, but only 1 in 10 says that the threat is significant, and no one says it's extreme (which is ignoring the lessons of history). Only 5% of DACH companies see a significant or extreme threat to their revenue. More than twice as many American executives (12%) see a major threat, as do 11% of British, 9% of French, and 7% of Italian executives.

The influence of company size is less clear for threats than for opportunities. The most worried companies have revenues between \$500 million and \$1 billion; 13% of them can see a significant or extreme threat to revenue, while just 5% of \$20 billion+ giants do.

The industry perspective is interesting. Healthcare is the most threatened, with 14% saying digital disruption could pose a significant threat to revenue. Consumer products and A&D feel least threatened. Perhaps more compelling are the ratios of optimism to anxiety. In technology, bulls outnumber bears nearly 11 to 1. In retail, the ratio is about 3 to 1, and it's 1 to 1 among energy companies. (See exhibit.)

One other factor strongly influences whether digital disruption is an opportunity or a threat: the strength of a company's existing, legacy systems. As we will discuss in [the third part of this study](#), 75% percent of companies that say their legacy systems are new or under control also say that digital disruption presents little or no threat to revenue. But among companies whose legacy systems are a major weakness, two-thirds say disruption is a moderate or major threat.

Technology companies see the most upside from digital disruption; healthcare sees the most downside

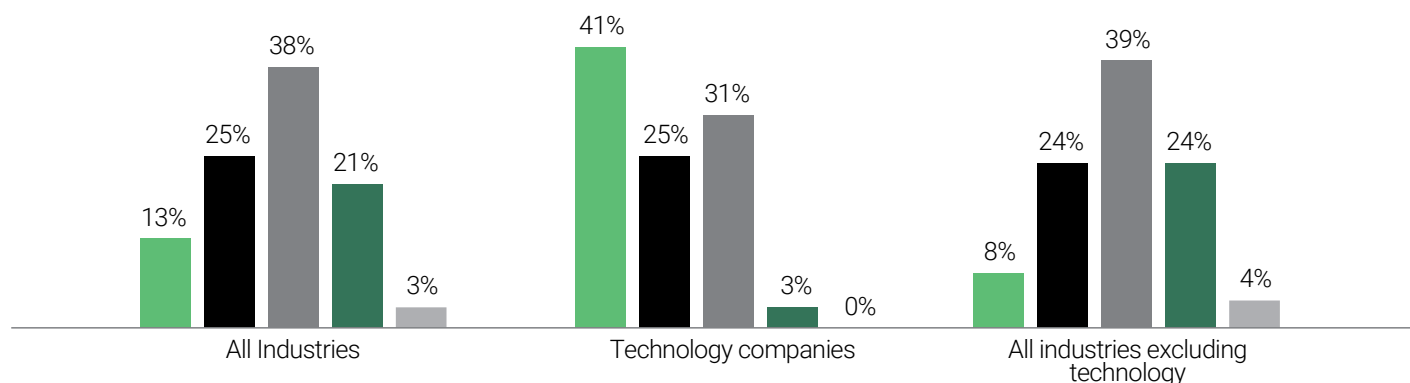


Who's driving disruption? The biggest digital disruptors are technology companies themselves

Nearly four out of ten (38%) executives put their companies on the leading edge of digital disruption—that is, always driving disruption or doing so more often than not. But 66% of tech companies see themselves as disruptors. Outside the technology industry, the number of disruptors falls to 32%. That is, technology companies are more than twice as likely to see themselves as disruptors as their customers are.

Energy and consumer products companies are on the trailing edge, with only 10% and 12% saying they always or usually drive disruption in their industry. In some cases executives may feel at the mercy of disruptive forces outside their industry. Consumer products companies, for example, often must respond to disruption in retail and media that they cannot directly influence, so for them, the test might not be how much disruption they cause, but how skillfully they ride the waves created by others.

Digital disruption: Drivers and reactors



Numbers may not add up to 100 due to rounding.

■ Always drive ■ Drive more often than react ■ In the middle of the pack ■ React more than drive ■ Always react

Being a disruption leader does not correlate with being a growth leader

Threat, opportunity, or a bit of both? Being ahead of the curve on digital disruption doesn't automatically mean that you'll be able to capture the growth opportunities or dodge the threats. A significant finding of this study is that companies that say they always or usually drive disruption in their industries grow no faster and are no more profitable than companies that describe themselves as a bit behind disruption's curve. This finding differs from the overall [AlixPartners Disruption Index \(ADI\)](#), which has consistently found that companies that lead in disruption post higher revenue and profit-growth numbers than their rivals.

Two factors might be at work: One could be that digital disruption is a different beast compared to other disruptive forces measured in the ADI, such as climate and demographic change, deglobalization, and macroeconomic factors. Getting ahead of digital disruption requires significant investment (on a never-ending basis, given the

inexorable rate of digital change), and those investments may pay off slowly. Take a technology like generative AI, which has exploded on the scene in the last couple of years, driving AI-related stocks to dizzying heights, but has not necessarily shown up in company revenue figures—yet.

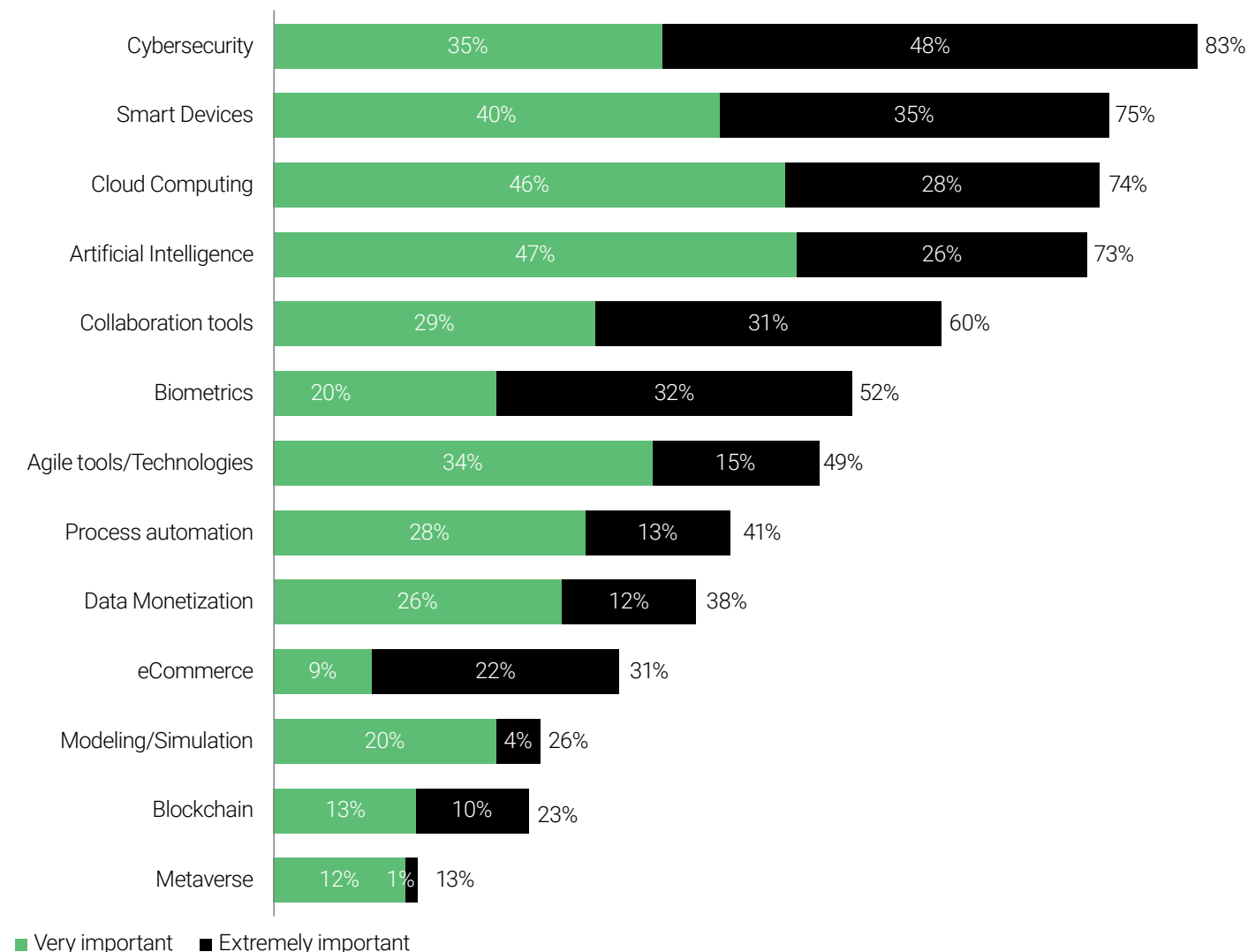
It's also possible that reaping the gains from digital disruption—the force—requires expert managing of the IT department—the function. Indeed, data in this study strongly support the idea that the ability to lead in disruption depends on having a strong, well-maintained foundation of systems, investing strategically to avoid falling into "tech debt," and ensuring that legacy technology does not become a problem (see [The Fundamentals Are Fundamental](#)). Managing change and continuity at once is always hard, and especially difficult when the rate of change is so high. You need your feet on the ground and your eyes on the sky.

Shiny objects are, well, shiny—but businesses are prioritizing technologies that protect and grow value

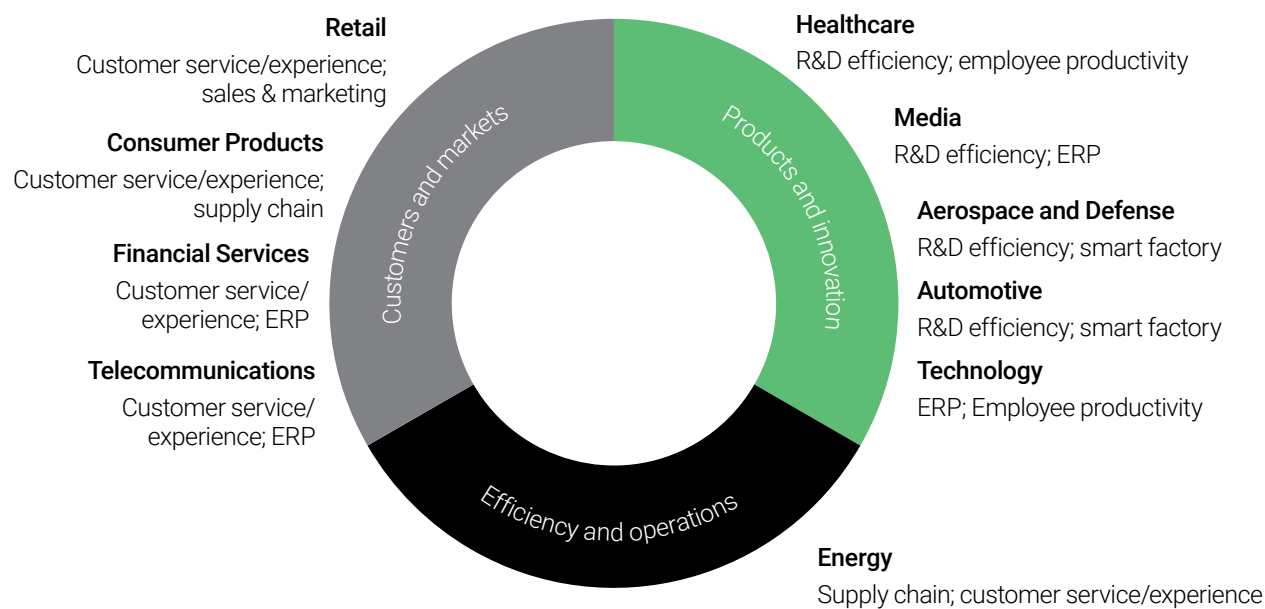
Where do you put your money? Artificial intelligence is hot, hot, hot. But when executives rank the importance of technology trends for their company, it comes in fourth, behind cloud computing, smart devices, and—#1 with a bullet—cybersecurity. The importance of cybersecurity underscores the general point: When it comes to managing digital disruption, a sturdy defense is at least as important as an agile offense.

But the importance of a technology trend also depends on the industry and the business purpose to which you intend to apply it. For example, e-commerce is far and away the most important technology for both retail and consumer products companies, cited as extremely important by 84% and 83% respectively. That is 10 times more often than it is cited by automotive and industrial executives, whose most important technologies have to do with process automation and robotics. For companies in those two industries, the top business goal of technology investment is to drive innovation and improve production via smart factories. Companies in consumer products, financial services, retail, and telecommunications focus their technology investment on customer insights, service, and experience.

Overall importance of technology trends



Where industries direct their technology investments
(top two business priorities for technology investment, by industry)





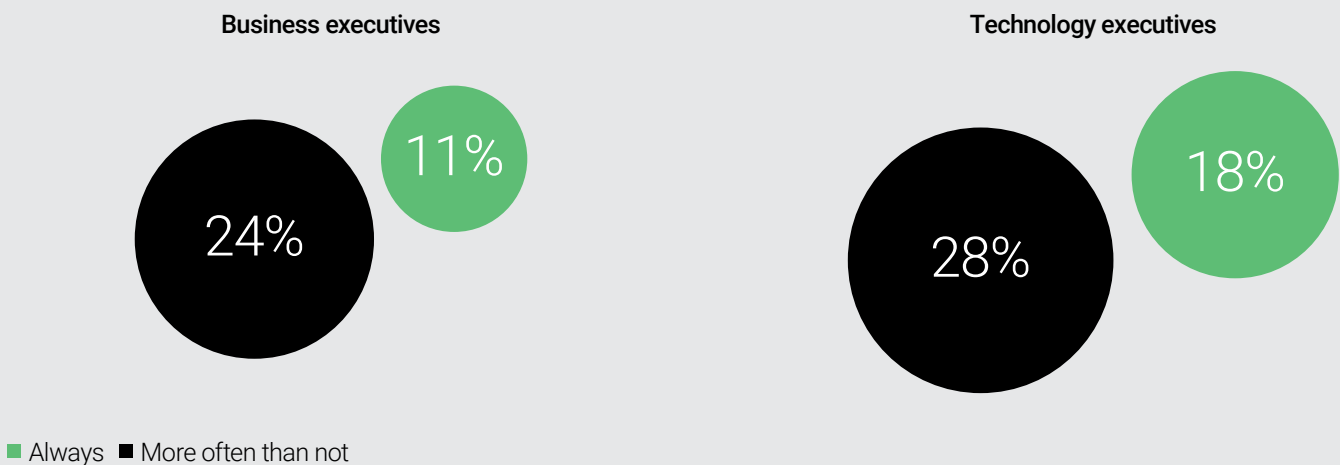
Technology leaders see disruption in brighter colors than non-technical executives

Technology leaders are more bullish about the impact of digital disruption than others in the C-suite. They also are more likely to believe their companies are in the vanguard of change. For example, 43% of technology leaders see significant or extreme revenue growth due to digital disruption; just 36% of business leaders agree.

Is that because the tech leaders are more knowledgeable, or because the business leaders are more realistic? Perhaps tech leaders are more likely to attribute a business result to a technological cause. While tech leaders are more optimistic than business leaders about revenue, they also see more threats. Only 9% of business leaders worry about digital disruption posing a significant threat to revenue, while 14% of tech leaders do—nearly half again as many.

Technology leadership teams are also much more likely to see their company as a driver of disruption than a reactor to it. Eighteen percent say their company always drives disruption in their industry (compared to 11% of business-side leaders), and 46%—nearly half—say their companies are always drivers or drive more often than not, a belief shared by 35% of their non-tech colleagues. By contrast, while 27% of business leaders say their companies are lagging, only 17% of tech leaders agree.

How often does your company drive disruption in your industry?

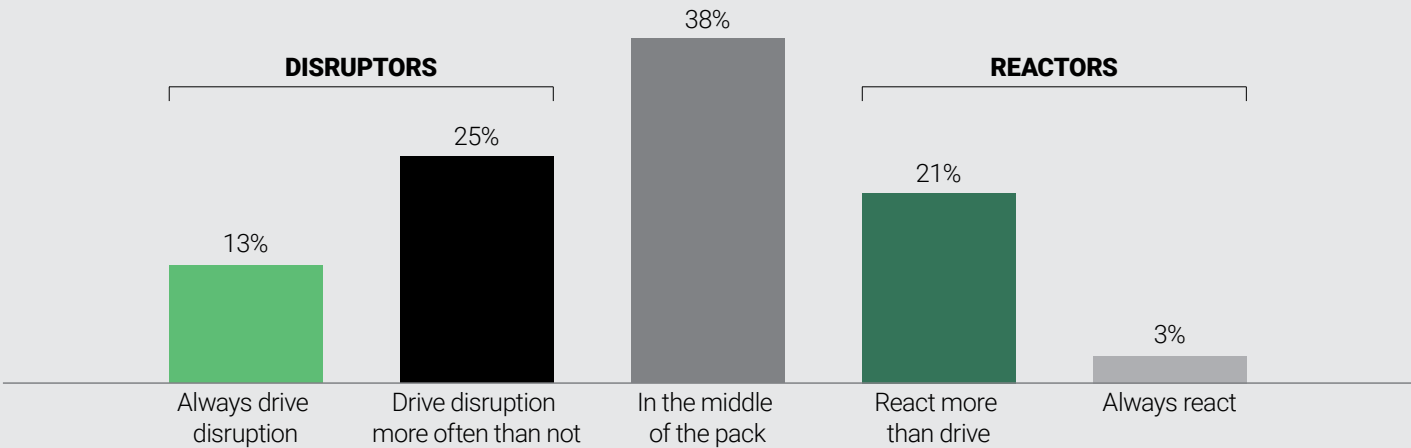


Only 9% of business leaders worry about digital disruption posing a significant threat to revenue, while 14% of tech leaders do—nearly half again as many.

THE KEYS TO DISRUPTION: STRONG ON THE BASICS, TOGETHER AT THE TABLE

About one in eight executives believes his or her company is always in the vanguard of disruption in its industry; another quarter say their firm drives disruption more often than not. These are the disruptors—and their view of the digital world differs in many ways from that of other leaders’.

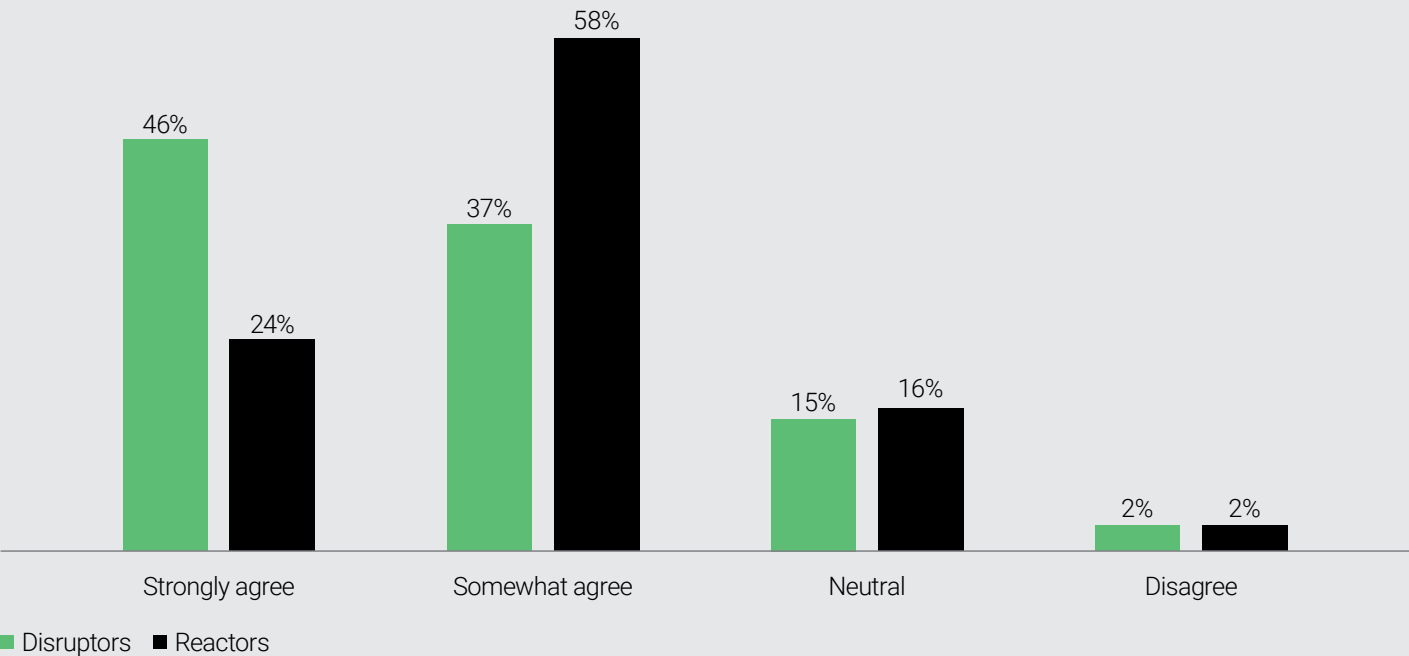
Driver or reactor? How companies say they respond to digital disruption



Disruptors are acutely aware of the speed and disruptive power of digital change. Thirty-nine percent of executives at disruptor companies say that technology is advancing too fast for their companies to keep up with; only 9% of reactor executives feel the same, a difference of more than four to one. Disruptors may be paranoid—to use Andy Grove’s term—about keeping ahead of technological change, while reactors appear to be much more complacent about their technological position. Possibly, too, disruptors are doing many projects to drive transformation through technology and find they don’t have enough capacity to do everything they want. Reactors are doing less and sweating less.

Disruptors are strongly confident about the reliability and security of their IT infrastructure—and, by placing cybersecurity first among their priority technologies, show that they are willing to invest to ensure their systems stay safe and strong. Nearly half give their companies highest marks for having robust basic IT systems. Mastery of the basics seems to free them to explore frontiers; and perhaps trouble with fundamentals forces other companies to temper their digital ambitions. Interestingly, disruptors are less likely (20% to 30%) to strongly agree that they work to provide predictable, long-term support for technology investments, perhaps because disruptive investments by their nature are less predictable, while reactors—innovating less—have more consistent funding.

Disruptors are more likely to maintain reliable and secure IT systems and infrastructure



Disruptors demonstrate strong teamwork between business and technology executive teams. It's clear from the data that the business-tech conversation is better in almost every respect among companies that are driving disruption.

DISRUPTORS ARE:

42% TO 49%

more likely to strongly agree that tech leaders effectively communicate the impact of technology changes

34% TO 24%

more likely to strongly agree that tech leaders provide innovative and practical technology ideas and solutions to grow the business

32% TO 19%

more likely to strongly agree that they give digital leaders a seat at the table

32% TO 20%

agree that they work effectively with the technology team to identify and address digital disruption

Note: Percentages are compared to reactors

KEY FINDING #2

The shift of AI from shiny object to real gold

Like Ahab in pursuit of his white whale, companies have been on a determined hunt for AI tools and other applications since the launch of ChatGPT in 2022.

The results of this year's survey show that we may be moving into a more mature, business-focused period of investment, where companies are targeting AI use cases in customer engagement and operational and financial improvements, and in which returns on their investments are increasingly being realized. Companies are more capable than they were a year ago. Today, clear majorities say they are advanced in knowledge and adoption of AI and ML, and 40% say they are getting good value.

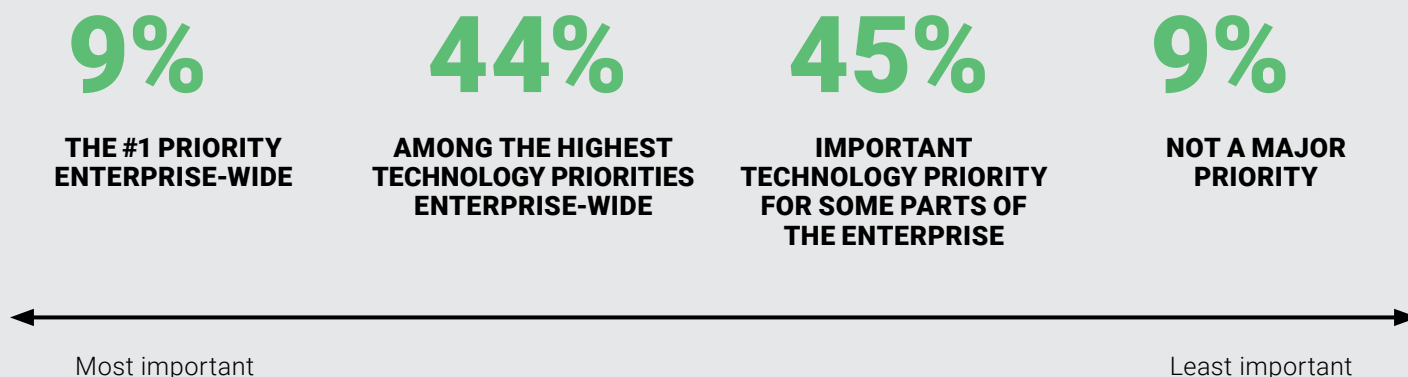
What's more, AI is not the top priority for digital investments in this year's survey, trailing cybersecurity, smart devices, and cloud computing (though this varies considerably by industry). Only 9% of respondents picked AI as the #1 technology priority enterprise-wide, and a substantial minority (45%) sees it as important only for some parts of the company.

This suggests that companies' expectations for the technology are coming back to earth, as AI is seen as one technology among many that needs prioritizing. It may, however, also be underappreciating AI's potential, as cyber, smart devices, and other tech priorities are now inherently enmeshed with AI, and their successful implementation means applying the right AI tools and strategies.

That said, larger and faster-growing companies are more likely to prioritize AI. For companies with \$5 billion or more in revenues, AI is the top priority for over 13% of respondents (4 points higher than average). These larger companies are also more likely to say that AI is extremely or very important to their company. This reflects these companies' greater resources, as they are also more likely to say that they have adequate resources and talent to invest in AI, and to say that they have successful outcomes from their AI investments.

Even more noticeably, for companies that are growing revenues faster than 20% annually, AI is 6 points more likely to be the highest priority, and executives in these companies are 8 points more likely to say that their AI investments succeed 75% of the time or more.

Importance of AI among company technology priorities



Where are AI investments going?

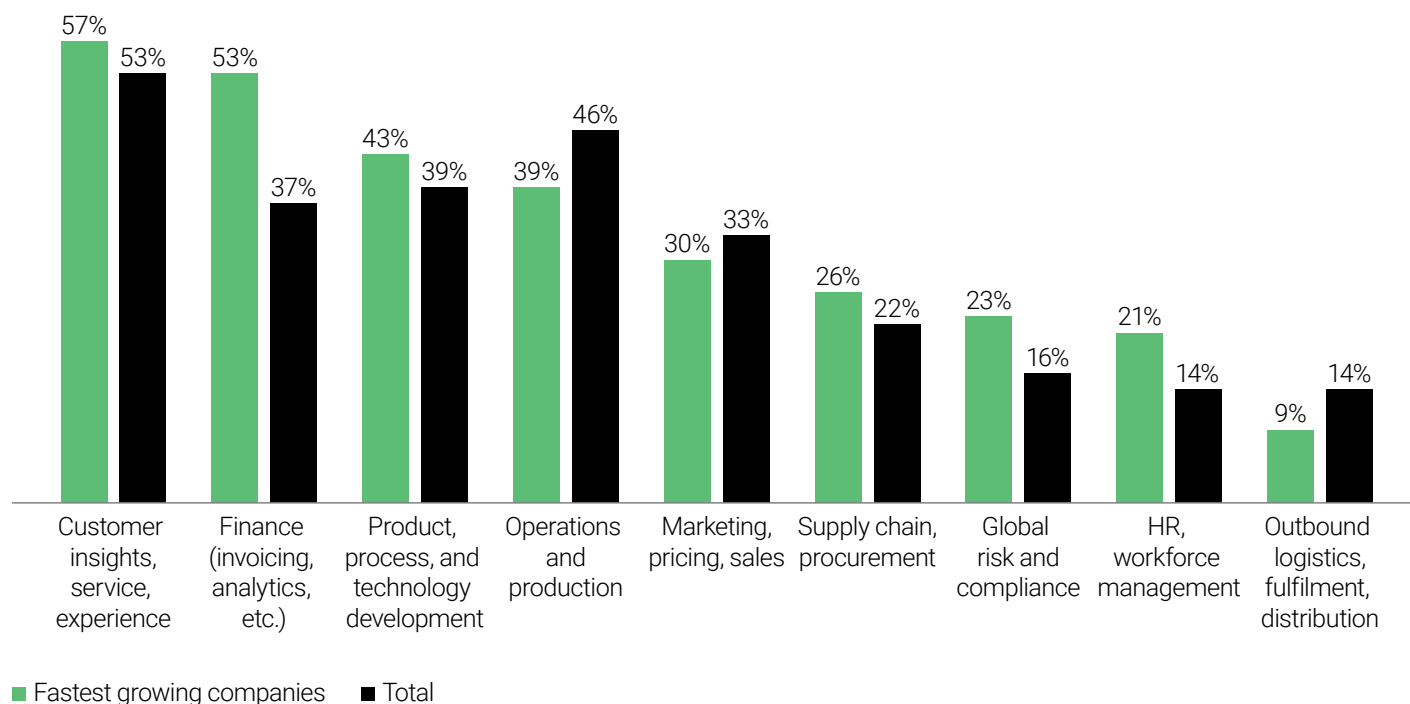
We are in the midst of AI 2.0. Most of the popular focus has been on generative AI (GenAI), but the reality is that most of the money-making is in older-school machine learning, which has more proven applications. With GenAI, there are fewer proven cases, with contact centers, software development, and finance functions having the most proven value. It also has the potential to significantly improve **supply chain management**, and accelerate onboarding and training processes.

There are major industry and sector differences when it comes to where AI investment is being applied. Across industries, though, customer experience is a big winner in terms of both investment and results.

Compared to other companies, faster-growing companies (as well as those with the highest profit margins) are putting even more money into a cluster of customer activities—insights, service, and customer experience—and into the finance function.

This combination punch of a near-term focus for AI on customers and finance deserves more attention. In both cases, most companies have a wealth of data. Both are high impact on the top and bottom lines, requiring both forecasting and reports (which AI is particularly suited to provide). AI gives finance teams tools to become real-time collaborators with business units, not just historians. Looking out the front windshield instead of in the rearview mirror makes driving the car a whole lot easier.

Customer-facing activities and the finance function are the biggest focus of AI investments



Are AI investments paying off?

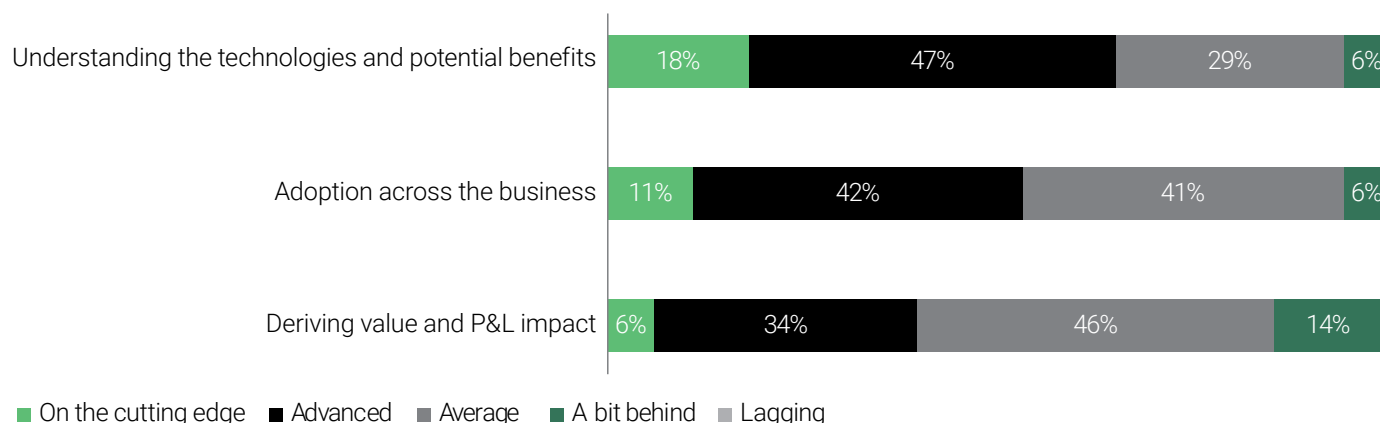
Executives are becoming more confident and expert when it comes to applying AI to their businesses. Last year, using a slightly different methodology, we found that 21% of executives gave their companies an 'A' grade for how well they use AI. Now a majority say they have at least an advanced understanding of the technology and are advanced in adopting it.

The number of those who say they are getting value from these investments, though, is trailing. However, 40% still view their companies as 'on the cutting edge' or 'advanced' in deriving value and P&L impact from their AI investments. And we think many executives are overly optimistic in how their companies are doing compared to their competitors.

There are major differences by industry, with the technology, media, and telecoms clustered ahead of the others. You can create a grade point average by industry—4 points for cutting edge, 3 for advanced, 2 for average, 1 for a bit behind, 0 for lagging (see exhibit.). Notably, no industry gets better than a C in value creation—not yet. Are CP and retail lagging because they know better what they don't know?

These results suggest that there is significantly more value to be derived from making the right investments in the right use cases.

How executives compare their use of AI and ML to their competitor set



Industry 'report cards' for AI proficiency

	Knowledge	Adoption	Value
Technology, Media, Telecommunications	2.9 (B+)	2.6 (B-)	2.4 (C+)
Financial Services	2.7 (B-)	2.7 (B-)	2.2 (C-)
Aerospace & Defense, Auto, Industrial	2.6 (B-)	2.3 (C-)	2.2 (C-)
Consumer Products, Retail	2.5 (C+)	2.4 (C-)	2.2 (D+)

The AI playbook

Realizing value from AI investments takes discipline and a pragmatic approach aligned with business objectives. Based on the results of this year's survey, companies are making progress in gaining a realistic perspective on what AI can (and cannot) do and are beginning to drive meaningful value creation from their investments.

But there's still a long way to go.

In our experience, creating value through your AI initiatives requires alignment and focus across 3 critical areas:



STRATEGY

Focus on business problems aligned with growth and margin priorities. Businesses often face a disjointed set of AI ideas from many sources. Instead, start by confirming business cases and align them to a coherent and efficient plan.



EXECUTION

Build the capability to iterate and learn rapidly. Importantly, ensure business results are measured for continual improvement.



FOUNDATIONAL PILLARS

There's no AI without the right foundations—from technology to people to risk and compliance (among other things). Crucially, invest in building complete data spanning customer journeys and product life cycles, because your models are only as good as the data on which they depend.

A manufacturing client of ours discovered that only a third of their models worked.



The reason?

They didn't have data from their dealers, and as a result, were building models on incomplete data. Technologists had defined the AI problem, but not the underlying business problem. People, processes, and tech—not two out of the three.

Ownership is also key:

Who makes the choices about where AI should be deployed—the business units, the technology team, or the C-suite? When it comes to all technology decisions, the C-suite and technology team in the most successful companies share that responsibility about equally, as we will discuss [below](#). But decision-making for AI is more likely to reside with the IT team, perhaps because for many companies the technology is still in the pilot phase. Notably, however, 52% of CEOs say that AI decisions should be a C-suite responsibility. They're right: Getting the technology right is necessary—but getting the priorities right is what makes the difference.

We encourage you to read more of our perspectives on AI [here](#).

“We are working closely with customers of all sizes from across all industries to help them achieve more with AI. Our most successful customers that get the highest returns and fastest results generally share three characteristics: They have clear priorities about where AI matters most given their strategy; they set measurable business goals; and they really know how to manage a project.”

LARA RUBBELKE

Chief Technology Officer, Microsoft Americas

KEY FINDING #3

The fundamentals are fundamental:

The best companies turn legacy systems to their advantage

Legacy systems are critical for competitiveness, growth, and the ability to thrive amid digital disruption.

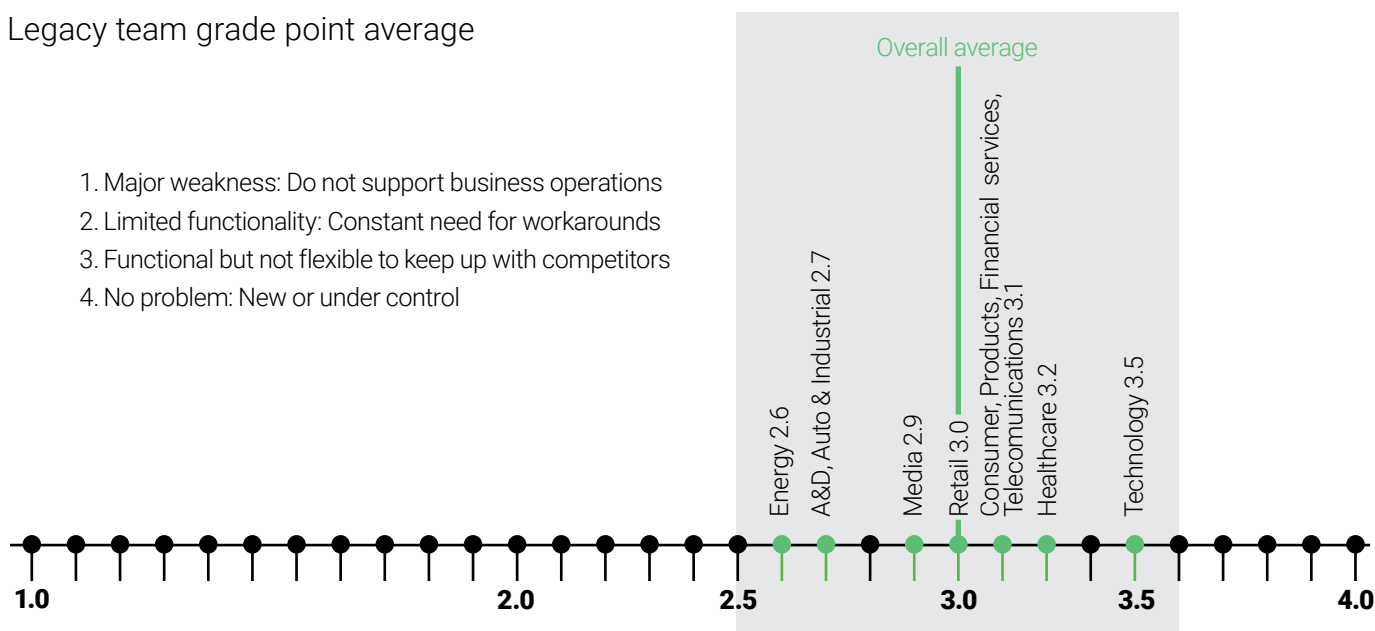
Three out of four executives say problems with legacy technology prevent their companies from getting or staying ahead of the competition. For more than a quarter of the companies we surveyed, the problems are grave enough to cause headaches virtually every day. Tech leaders are more likely (33% to 24%) to say legacy systems are fine. (Perhaps regular workarounds frustrate them less. Or their teams are not the ones living with those workarounds.)

The leader most irked by legacy systems is the chief executive. Among CEOs, only 9% say legacy systems present no problem, about a third as many as the rest of the executive team. Legacy systems incur 'tech debt'—that is, the accumulating cost needed to make the system fit for present and future purposes, which often increases as a result of expediency decisions (e.g., lack of upgrades, tactical solutions, and so on) and which delay bringing all systems up to date. If tech debt isn't kept manageable, it ultimately becomes crippling, either because functionality degrades or because, the bill having come due, the company needs to pay for and manage through a major upgrade.

Some industries claim to do a better job of staying out of tech debt. Technology companies are at the head of the class, with a B+ grade, followed by companies in the healthcare industry. Companies in capital-intensive industries generally have more problems with legacy technology, possibly due to the complexity of their ERP and production systems, or perhaps because technology investments face tougher internal competition for a share of the capex budget. In energy and power generation, 51% of companies report that their legacy technology requires constant workarounds.

Legacy team grade point average

1. Major weakness: Do not support business operations
2. Limited functionality: Constant need for workarounds
3. Functional but not flexible to keep up with competitors
4. No problem: New or under control



Legacy technology and growth

There's a remarkably straightforward correlation between the strength of a company's legacy systems and its growth prospects. (See exhibit.) This might be because well-managed legacy systems have a positive synergistic effect on growth initiatives; or perhaps high-growth companies are better managed overall, and therefore do better at managing legacy; or low-growth companies might be starved for the capital needed to invest in maintaining their systems. Whatever the cause, companies with problem-free legacy systems are about twice as likely to expect significant growth in the year ahead as companies with nettlesome core tech, while three out of five companies whose legacy systems have limited functionality foresee little or no growth.

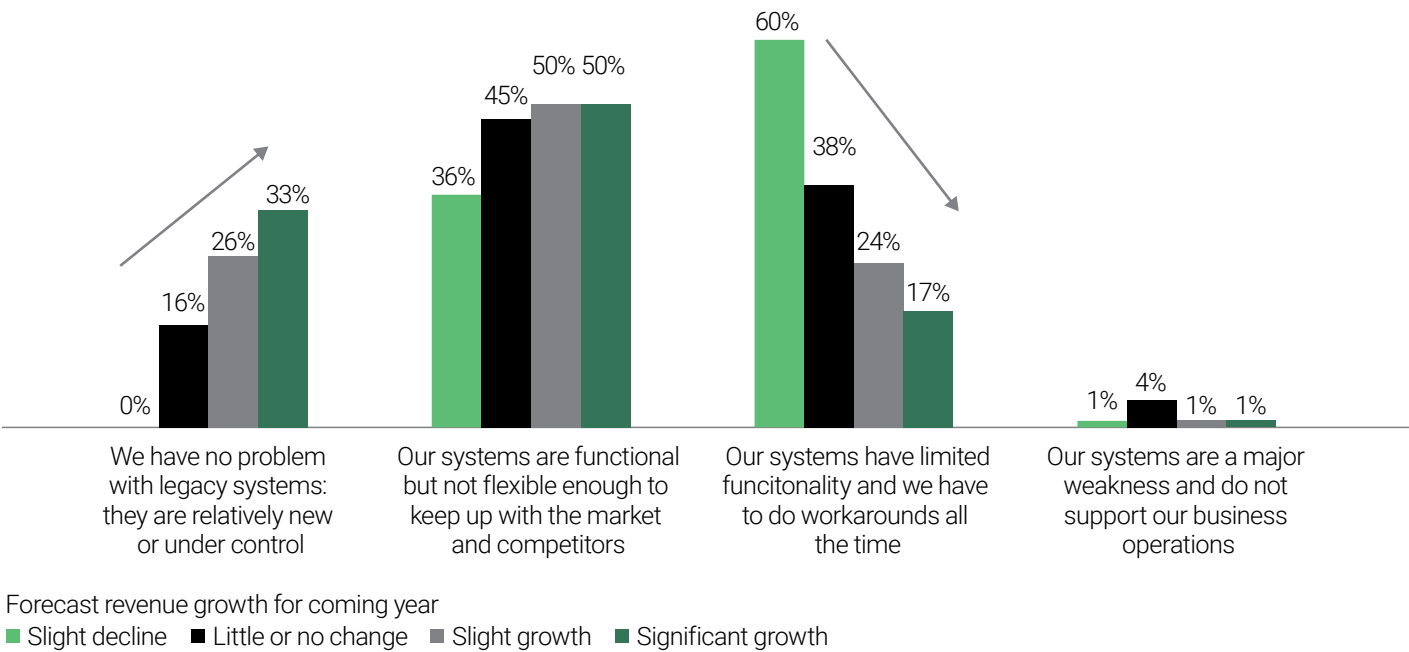
Amongst our client base, we do see the legacy technology issue coming to the forefront and observe how it impacts the agility of the business and ultimately its financial performance. This can be a downward spiral, with some companies really struggling to recover.

Low-growth companies should be very vigilant with capex decisions because if they get it wrong it could impact their results for a substantial length of time. The key is twofold:

First, the pain. Legacy is often associated with immediate operational challenges. This is because the pain is happening now and feels more important. The real issue we see for most companies is the effort and cost of supporting change. This is more difficult to bring to life (what manager or executive wants to compare their success to what could have been, as opposed to what they did?), which does not help to make the case for more radical measures.

Second, pragmatism. In this context, pragmatism means right-sizing the investment and defining an approach that will deliver what the business needs. Radical replacement and those large ERP transformations are not necessarily the right approach, and adapting systems, making them more modular, integrated, and manageable can be a safer option.

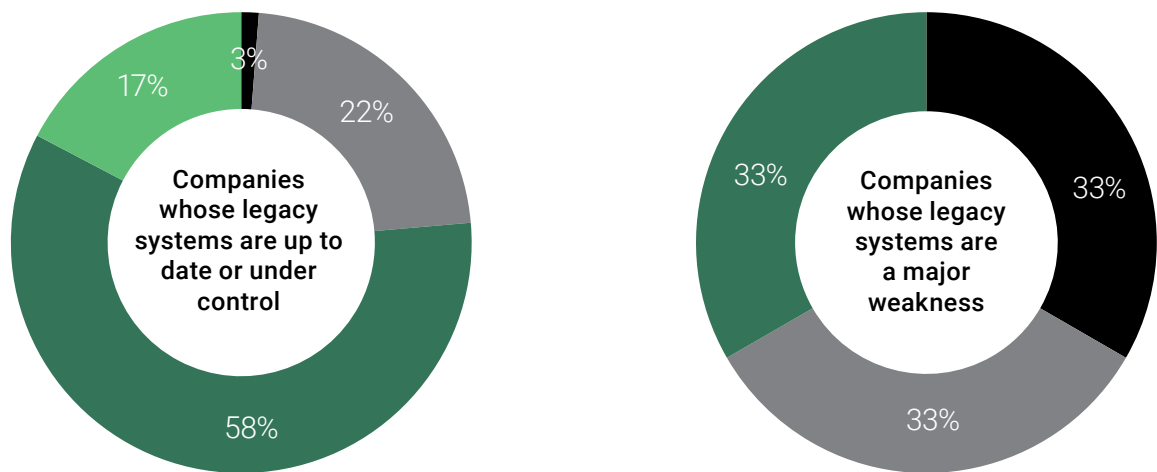
Strong legacy systems are a foundation for growth



Legacy technology and disruption

Well-managed legacy systems are also associated with a company's ability to drive disruption. Disruptors are more than three times as likely to say their legacy systems cause them no problems, while those in reactive mode when it comes to disruption are significantly more likely to say that legacy systems require constant workarounds (36% vs 21%). In addition, companies with strong legacy systems are much less likely to see digital disruption as a threat.

Companies with weak legacy systems are more threatened by disruption



Numbers may not add up to 100 due to rounding.

■ Significant threat to revenue ■ Moderate threat to revenue ■ Minimal threat to revenue ■ No threat to revenue

91%

of companies say they have a comprehensive technology roadmap aligned to business strategy

BUT ONLY 49%

say they struggle with technology projects because they have too many priorities

Companies wrestle with three big problems in addressing legacy systems

- 1 making the case given other non-tech priorities
- 2 balancing legacy and other technology goals
- 3 managing costs

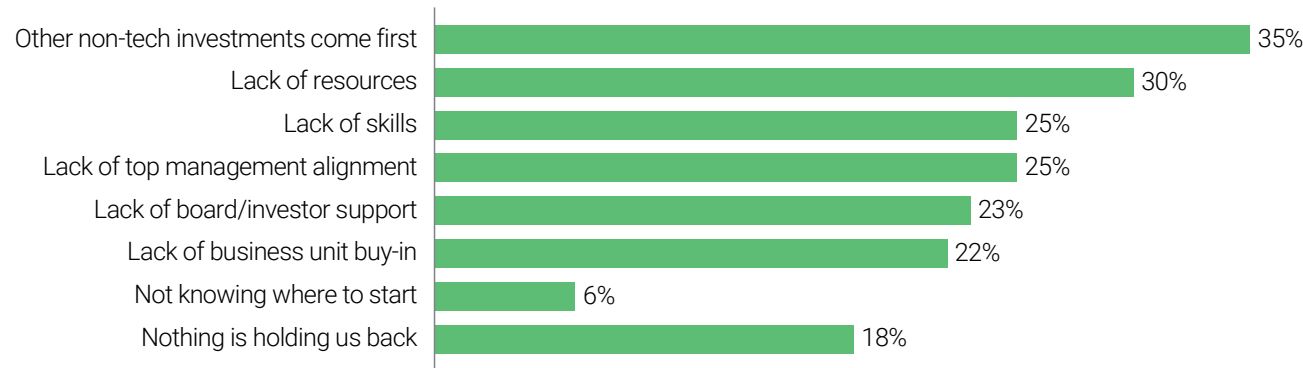
1. The first challenge: making the case for legacy

The first problem is getting attention and resources amid a host of other business priorities, such as adding a new plant or facility, entering a new market, making a deal, or taking out cost. Legacy systems aren't sexy, and if they're working well enough, there's a temptation to rely on duct tape and patches for this fiscal year and the next and the next. It can be especially difficult to make the business case when the issue is upgrade or repair—making a system do what it should—instead of adding functionality that will allow it to do more or different things. Tech overall has been management and control-focused for decades, and old-school legacy systems are often bad at supporting the more fluid and customer-centric uses companies now require. There can be tremendous power simply from upgrading legacy systems so they can talk to each other.

If anything, these data understate the problem, because tech companies are an anomaly; 35% of tech companies say nothing holds them back, only 14% say non-tech priorities come first or that they lack resources, and just 7% say they lack skills.

The three top obstacles to fixing a legacy system all have to do with getting it high enough on a company's list of priorities. Legacy's advocates need to do a better job of making the case at all levels of the organization, not just at the top; more than one in five respondents say legacy projects are tabled because business-unit leaders are not on board. It can seem easier and lower risk to change a system with incremental fixes every year, rather than taking the big bet of a full update or replacement, but that approach will eventually saddle a company with a heavy tech debt. The case for legacy investment needs to be how a new system adds to efficiency and adaptability in the business functions, not a number in the budget.

What prevents companies from improving legacy technology



BUSINESS AND TECHNOLOGY LEADERS SEE THE OBSTACLES IN VERY SIMILAR WAYS WITH TWO EXCEPTIONS

25% TO 17%

Tech leaders are eight points more likely to say "nothing is holding us back" from fixing legacy

32% TO 24%

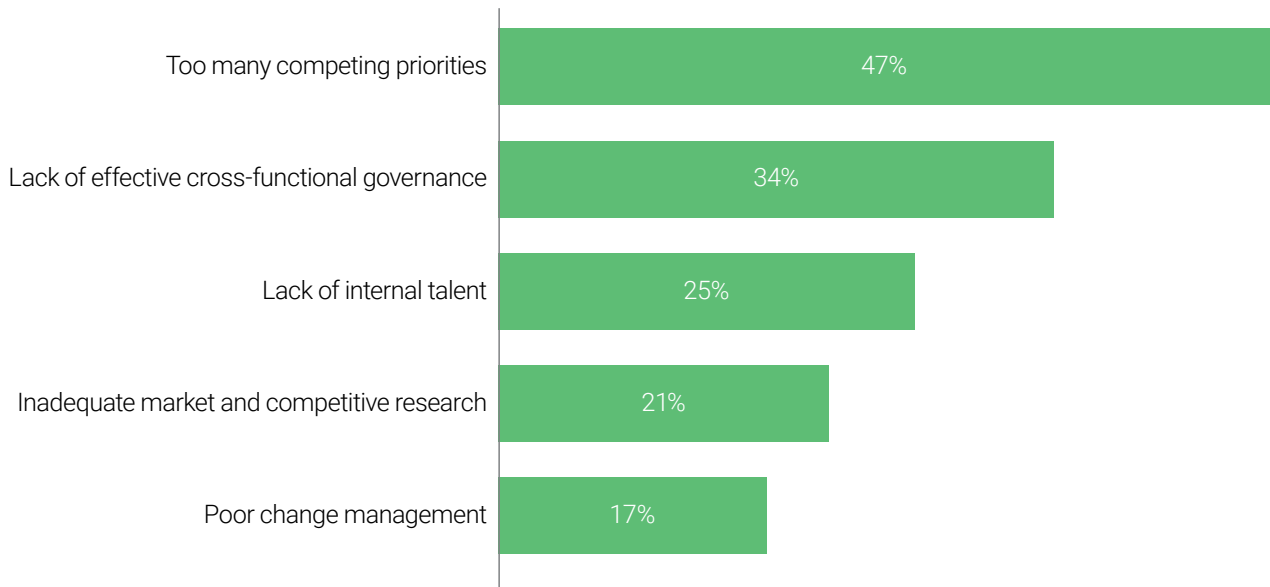
Business leaders are eight points more likely to say money (a lack of resources) is holding them back

2. The second challenge: managing legacy investments within the digital portfolio

When legacy remediation or upgrade projects do get approved, they get thrown into a hopper with other digital initiatives, and new sources of failure emerge. Number one is competition within the portfolio of digital initiatives. That is followed by failures of cross-functional governance—e.g., assigning decision rights, project management, and accountability to IT, marketing, operations, or a business unit.

Talent shortages also emerge as a problem—probably because companies have to divide their skilled staff between a raft of competing projects. There does not appear to be much finger-pointing or blame-shifting between business and technology team executives. They see the top two issues—priorities and governance—almost identically. While technology leaders are more likely to say business leadership is not stepping up to take accountability (and business leaders wonder about internal tech talent) their agreements stand out more than their differences.

Main reasons technology projects struggle or fail



“A game-changer for us has been consolidating our data—including customer, product, and sales—into one place so that we can use insights from one platform to inform decisions in another quickly and precisely. This has unlocked a gold mine of customer insights, allowing our merchandising experts to get better and more accurate information via AI models, and respond faster. Now, we can better serve our customers in new and exciting ways—ensuring we get the right products to more customers when and where they want them.”

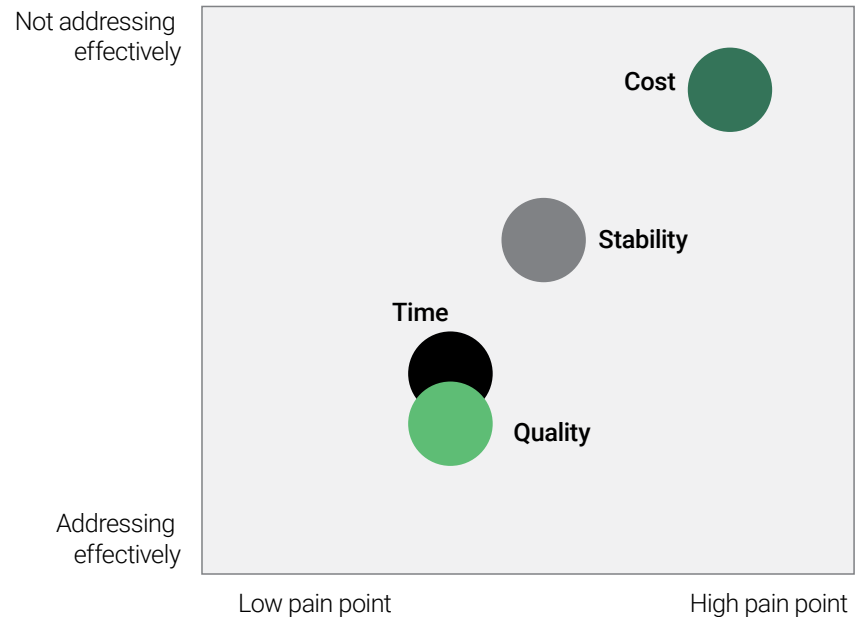
MARY BETH EDWARDS
Chief Transformation and Business Service Officer, Sally Beauty

3. And then there's cost: the third challenge

Seven out of eight executives expect their company's technology spending to increase in the year to come. Cost therefore has to be an issue—not just the absolute cost, though that is high, but companies' persistent inability to get a handle on cost management. When it comes to managing technology, cost is the biggest pain point and also the hardest to address effectively. Indeed, one out of six companies in the survey told us that they currently have a large tech project that is significantly over budget or in trouble—and every veteran executive has experienced at least one major calamity-prone tech project in his or her career.

Companies overall feel they do a decent job addressing issues like delivering on time, with good quality and stability. But managing cost is the biggest pain point—and the only one where the pain exceeds their ability to address it.

When it comes to managing tech, cost is the biggest pain point and the hardest to address effectively



When it comes to costs, the CEO is the #1 critic. Among CEOs, 65% say cost is a major or somewhat of a pain point. CEOs are also the biggest skeptics about their teams' ability to manage costs, with only 18% saying the issue is being addressed very effectively, vs 39% for the whole. The next section—which is about executive team dynamics—explores some causes and cures for the cost conundrum.

MANAGING POST-MERGER TECHNOLOGY INTEGRATION IS A SPECIAL KIND OF HELL

There is no more difficult legacy technology task than integrating the existing systems of two companies after a merger or acquisition. The job is harder than managing large systems, harder than upgrading large systems, harder than adopting new technology, harder than cybersecurity, harder than managing outsourced technologies. It is also critically important, since every delay in technology integration can cause delays in capturing not just the cost savings but also the growth opportunities on which deals are premised, as we have shown in [Harvard Business Review](#).

Technology and business executives feel the pain almost equally—though presumably the business leaders feel it in gains forgone, while tech leaders feel it in hours of effort. And practice doesn't appear to make perfect: Executives in private-equity-owned companies, who presumably have access to highly experienced integration teams, fare a little better—but only a little better—than their counterparts in public or family-owned corporations.

Why is post-merger integration so difficult? Because it takes every technology problem and squares it. The two companies might use different platforms; but even if they do not, each one will have unique problems. Time pressure is intense; so, in most cases, is the pressure to cut costs. And it's not just the technology that needs to be integrated; the business needs to be integrated. A sales team that was used to one CRM will have to learn another; finance departments will have to clean their data before they can produce integrated reporting; business processes will have to be modernized; everyone will have new internal customers; and all of these make the technology project even more daunting.

PERCENTAGE OF EXECUTIVES SAYING

	We are excellent or very good at this	We are fair or poor at this	
Managing technology integration after a merger	33%	28%	<div>Most difficult</div> <div>↑</div> <div>↓</div> <div>Least difficult</div>
Upgrading complex systems	42%	20%	
Managing complex systems	43%	18%	
Adopting new technology	57%	13%	
Managing outsourced tech	63%	11%	
Protecting data security	74%	6%	

KEY FINDING #4

Performance jumps when business and technology leaders are in sync

Executive leadership is a team sport. Given the combination of high strategic stakes and high and growing expense—overall spending on digital will rise next year for 84% of companies, stay the same for 16%, and decrease for none—it's critical that the business and technology leadership teams find constructive ways to share ideas, sort through choices, and hash out differences.

Effective executive conversations depend on collaborative skills and mindsets, strategic alignment, and a shared set of facts. Data in this survey confirm what [research at MIT](#) has also shown: Companies make better IT decisions when they are jointly made between business and IT professionals. That's doubly true in disrupted environments, when old decisions, old architectures, and old activities might need bold, clean-sheet-of-paper redesign. When business and technology leaders work best, they are collegial and respectful, of course; but what really distinguishes the best performing companies is their mutual ability to leverage each other's strengths, identify and hold each other responsible for corporate goals (not just functional plans and budgets), and to hear what the other is saying.

It is to this subject that we turn next

But what does effective collaboration look like? To begin to answer that question, we asked business executives to evaluate their tech colleagues' teamwork, and vice versa. And because collaboration is inherently a two-way street, we also asked respondents to evaluate their own performance, asking tech leaders how well they think they collaborate, and business leaders the same. The result is a sort of 360-degree appraisal.

A FEW HIGHLIGHTS

- 1 There's lots of room for improvement. While there are few obvious areas of real weakness in the relationship, business leaders give an 'A' grade to their technology colleagues only about a third of the time.
- 2 A substantial minority of technology leaders feel they don't have a seat at the table when strategy is discussed, and only one in five believe their business colleagues strongly champion the adoption of new technology.
- 3 There is generally good alignment around connecting technology to strategic or business goals; but tech and business teams struggle to identify ways to address disruption, and often do not communicate well about how to translate alignment into plans for specific investments.

“Digital transformation in the back office is hard. It causes consternation because it dramatically affects how employees do their work, and it can lead to job elimination. At the same time, though, the change won't happen if employees don't embrace it. Here's a paradox: Sometimes the best way to get employees to embrace change is to be bolder in what you're trying to do—to dramatically reimagine the possible.”

HOLLY HESS GROOS

Former Verizon senior executive, including CFO of Verizon Wireless, and senior advisor at AlixPartners

What business leaders think about tech leaders

The relationship between business and technology leaders, while it has tensions, is better than people often think. Across the board, business leaders think their tech leaders are doing well. In most areas, roughly 80% say positive things about the performance and collaboration they experience from their technology leaders. Approaching half of those (30%) voice very strong approval for such things as driving competitive advantage through technology, communicating the impact of technology change, and aligning technology with strategy.

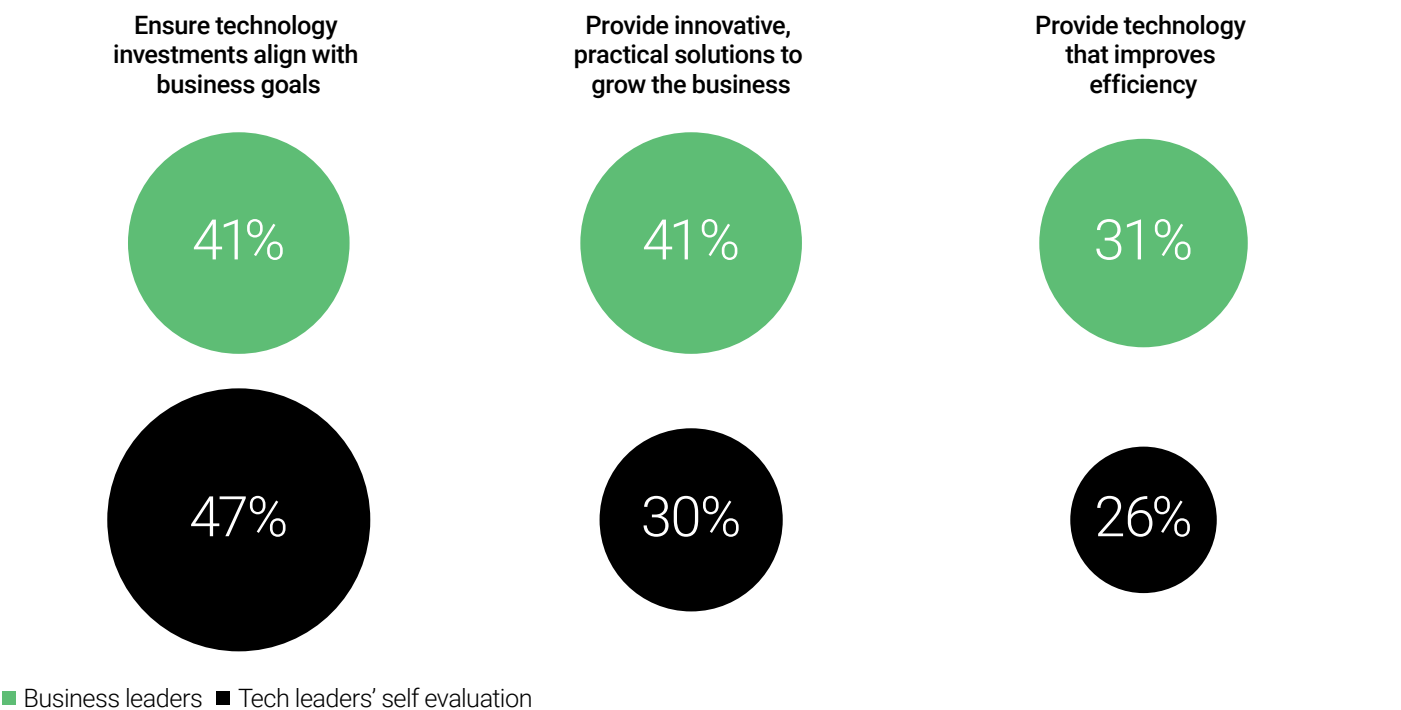
It is worth noting two areas in which business leaders are least likely to give technology leaders the top “strongly agree” grade: 1) working with the business side to identify and address digital disruption and 2) improving business processes and efficiency. For each, three out of four executives think their tech leadership has at least some room for improvement.

Perhaps not surprisingly, among disruptors (companies that always or usually drive digital disruption), business leaders give their tech teams much higher marks for addressing digital disruption (37% to 26%). But they also laud their tech leadership for maintaining reliable and secure systems: 46% strongly agree, compared to 33% for the full sample.

Technology leaders’ self-assessments are rosier. Tech leaders are much more confident that their work aligns with company strategy and goals (47% strongly say so, a difference of 6 percentage points higher). They are 11 points more likely to give themselves the highest mark for providing innovative solutions and are five points happier about their ability to improve efficiency.

Tech leaders by and large think they are better communicators than their audience does. Eighty-five percent strongly or somewhat agree that they effectively communicate the impact of technological change, but only 77% of their audience—the business leaders—agrees

How business leaders rate their technology leadership and how tech leaders see themselves (percentage who strongly agree)



What tech leaders think about business leaders

The other side of the coin—technology leaders' assessment of business leaders—also shows high overall approval but a different cluster of problems. While 55% of tech leaders strongly agree that their business-side colleagues embrace technological change, only 24% say those leaders strongly champion the adoption of new technology. "We like technological change in general," they seem to be saying, "but we want to see more proof before we put our money where our mouth is". Only 31% of tech leaders feel strongly they have a seat at the table when strategy is discussed. And only 25% of them strongly agree that their business leaders know enough about technology to advise, guide, and partner as they plan investments.

Business leaders actually agree with that criticism: Only 19% of business leaders strongly agree that they know enough about technology to guide, advise, and partner on investments. Indeed, business leaders are generally harder on themselves than their tech colleagues are.

Most strikingly, 37% of tech leaders say they get predictable long-term support from the business, but only 25% of business leaders pat themselves on the back to the same extent, a difference of twelve percentage points. Business leaders are sixteen points less likely to give themselves high marks for working with technology leaders to identify and address digital disruption, "We're not the experts on how technology can change the world," they seem to say, though they see technology's more immediate impact on competitive advantage and operations.

This is consistent with our experience. While the technology leader should be the sherpa—making sure the organization gets to the top of the mountain by the best and safest route—business leadership needs to champion based upon their vision of which peak to climb, and what getting to the top of the mountain means to the company.

55% of business executives say they strongly embrace technological change..

BUT ONLY 24% strongly champion the adoption of new technology

ACCORDING TO TECH LEADERS,

41%
of their business-side colleagues know how technology affects operations

BUT ONLY 29%
understand how technology can create competitive advantage

Being a better partner

What does all this have to do with performance? To answer that, we took technology and business leaders' evaluations of each other and of themselves, then examined the correlation between these views and performance (profitability and growth). We ran those correlations within industries, to solve for distortions that might be caused by (for example) comparing consumer products companies with healthcare, or industrials with media companies.

Eight behaviors stood out—four by business-side leaders and four from technology leaders—that are highly correlated (and statistically significant) with growth and profitability. These are areas where the executive leadership team enables the success of technology leadership, where the technology leadership team enables the success of the ELT, and where it makes a difference to the top and bottom line.

Overall, business and technology leadership appear to have a strong respect and appreciation for each other and what they each bring to the table. They also appear to have a good understanding of what they need to do to be a good partner—and even where they think they can do better.

In 2024, every company is a technology company to a greater or lesser degree. A strong partnership is essential to driving the future success of every enterprise.

What **business** leaders should do



**Embrace
technological
change**



**Ensure technology
aligns with
strategic goals**



**Provide predictable
long-term funding
and support**

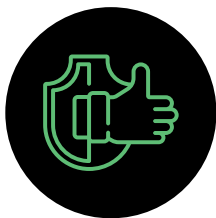


**Work effectively
with the tech team**

What **technology** leaders should do



**Deliver
innovation**



**Deliver
reliability**



**Communicate
clearly with the
business team**



**Provide better
proof points for
investments**

A VIEW FROM THE CORNER OFFICE: THE CEO AND DIGITAL DISRUPTION

It should come as no surprise that CEOs see the world differently than the rest of their organization. They feel the pressures to innovate, grow, and build a sustainable future for their business most acutely—a fact we have observed in our annual AlixPartners Disruption Index. The CEO is ultimately accountable for everything, and that mindset applies to technology and digital investments.

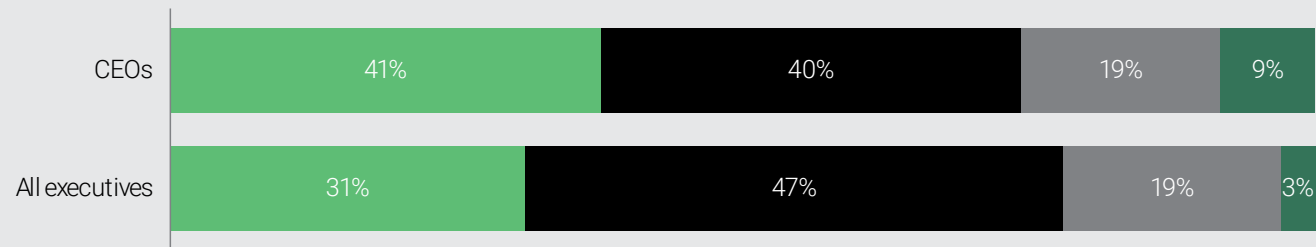
Optimistic about the future

CEOs generally seem more skeptical about how disruptive their companies are. They are less likely to see their companies as leaders in their industry (22% leading vs 39% of all execs), and more likely to see them in the middle (47% vs 38%), or reacting (30% vs 24%). They are also more cautious about the opportunity from disruption—only 6% see significant revenue upside, vs 22%. They are less likely to see a significant threat to revenues from disruption (5% vs 10%) but more likely to see a moderate threat (56% to 44%).

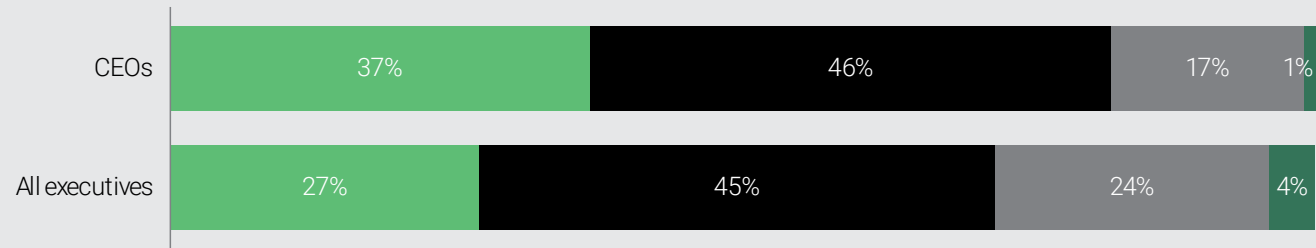
So the overall picture is that the CEOs seem to be being, well, CEO-like: Let’s step back and not get too excited one way or the other. But CEOs are leaning in. They are more likely to say that their company will be increasing tech investments in the next year (92% vs. 84%). CEOs are also a lot more confident about tech governance than the teams they manage. They believe that they have the right risk management processes in place and are 11 points more likely to say that the board and investors are actively engaged, knowledgeable, and constructive about their tech strategy and investments.

CEOs view technology risk management and governance more positively

Our board, senior leaders, and technology leaders have effective technology risk management in place



Our board/investors are engaged, knowledgeable, and constructive about technology strategy and investments



Numbers may not add up to 100 due to rounding.
■ Strongly agree ■ Somewhat agree ■ Neutral ■ Disagree

Priority setting

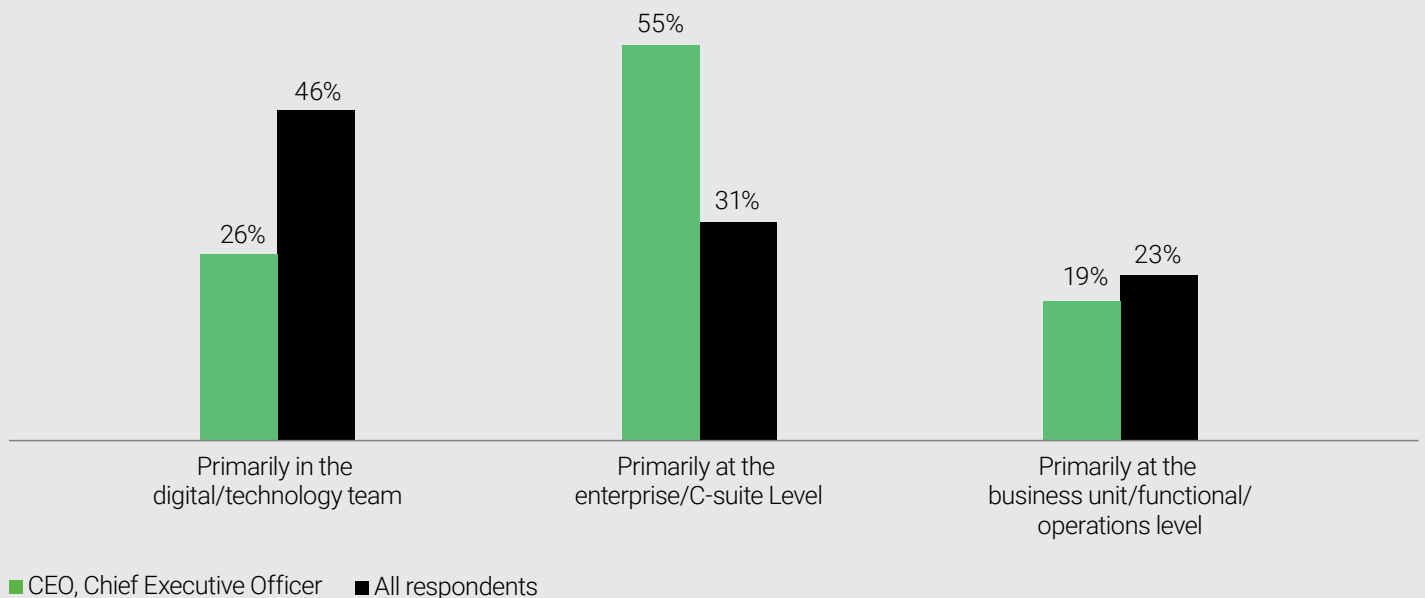
A majority of CEOs think that the AI budget primarily resides at the enterprise level, while the rest of the leadership team sees it as primarily belonging to IT. The same is true for tech investments as a whole.

From a budgetary standpoint, the others are probably right—the line item belongs to IT; but the CEOs may be saying something else—namely that the job of directing where the investment should go needs to be performed at the top. What one group sees as budgets, the CEO sees as priority-setting. CEOs want these investments to be managed at the corporate level, not left to IT or the business units.

CEOs are more likely to say their legacy systems are not fully functional and under control. They are also more likely to say their functionality is limited and requires constant workarounds.

And their priorities are somewhat different. CEOs see enterprise resource planning and R&D efficiency and effectiveness as the most important focus for their company's near-term tech investments, versus customer service and experience improvements for the respondents as a whole.

Where are the decision rights, budget, and accountability for digital investments centered in your company?



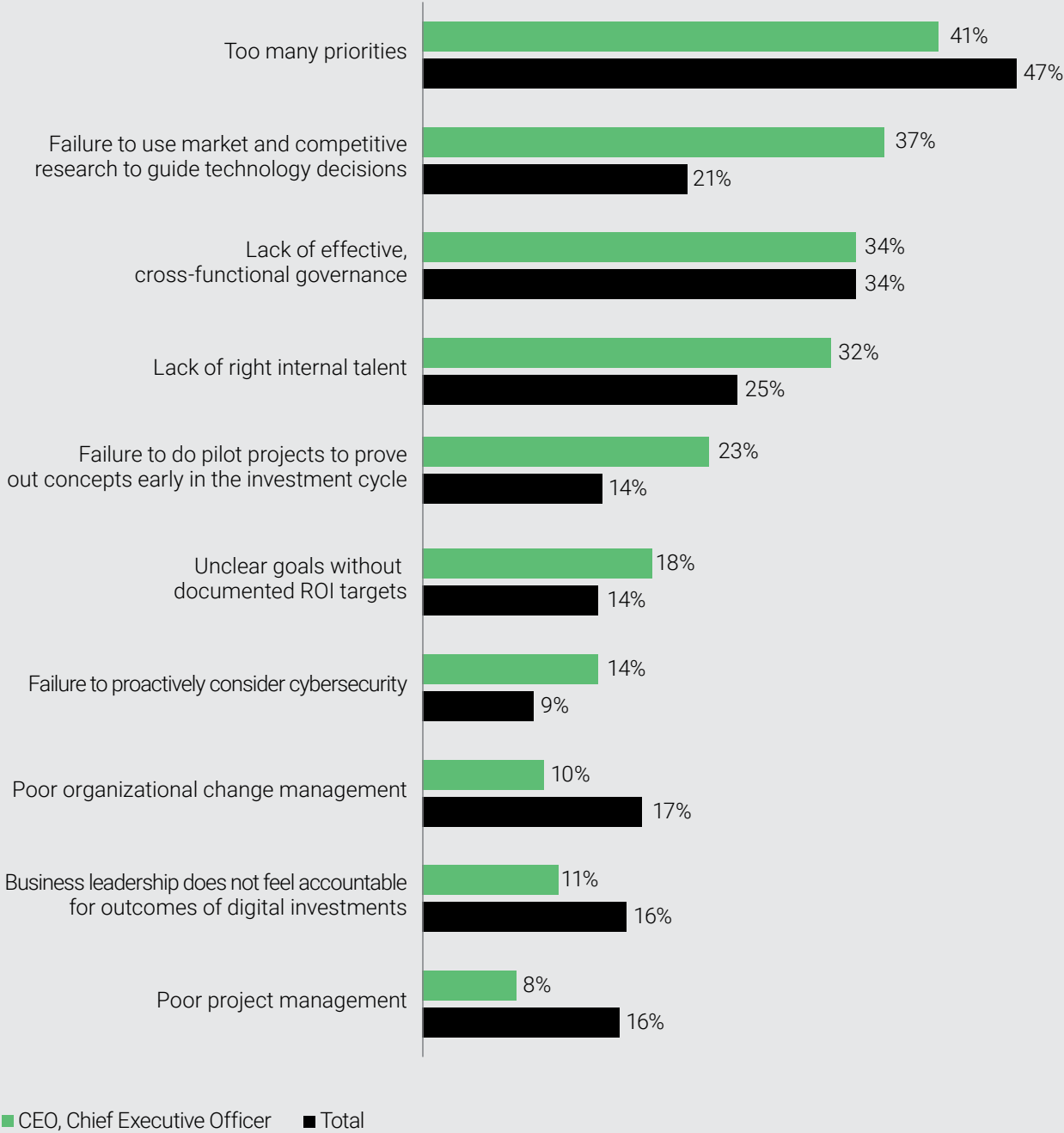
Cost concerns

CEOs are more concerned about costs and less confident costs are being addressed effectively. Delivering on budget was identified as a major pain point by 34% of CEOs (compared to 14% overall), and 29% say that their company is not effectively addressing these cost concerns (versus 11% overall).

They want to see more proof points before greenlighting projects: market or competitive intelligence, pilots, and clear, documented goals.

Overall, CEOs are optimistic about their tech investments and strategy but are focused on keeping costs under control. Ultimately, the CEO and the board need to choose among all the major investments a company can make—technology, also other capital expenses, talent and human capital, innovation investments, M&A. Too often, they say, the digital business case (whether for legacy or new technology) has not been laid out for them as well as they need it to be. CEOs want to see specific use cases, clear business goals, and good research.

When you undertake technology projects (of any kind) what are the main areas in which you struggle or which cause failure?



NEXT STEPS



Raise your periscopes higher to proactively identify investment opportunities that exploit digital disruption to achieve revenue or profit growth. Three out of four business leaders say they don't do that well. It could just be nerves (or disappointing returns from previous investments) that hold them back; more likely, they are not looking hard enough for opportunities to seize the initiative.



Focus on value, not technology. Under siege from digital disruption, executives need to identify, protect, expand, and strengthen their sources of value creation. What core assets are becoming more or less valuable? What core activities should be beefed up or trimmed back? Where can digital tools make step-change improvements in value creation—in customer loyalty, productivity, market reach? All the challenges and opportunities of digital disruption come down to their impact on value, and by starting there, business and technology executives can together set priorities and control their digital destiny rather than letting others do it for them.



To that end, realizing value from your AI and ML investments is increasingly green. AI isn't always the answer, and focusing on the specific use cases where AI and ML can drive material value for your organization is essential. But the number of viable use cases is expanding, and clear roadmaps are emerging on how to get the most from your AI investments.



Manage legacy systems strategically. The management of legacy systems is too often considered an issue of maintenance and modernization, rather than something that can have large strategic impact. Strong, capable, and flexible systems are far more than an operational necessity. Their quality and the investments needed to maintain and improve them should be considered alongside other major strategic moves, like new plants, products, or acquisitions. Legacy systems are a critical foundation for competitive advantage. They enable the adoption of new, disruptive technologies like AI, and can make the difference between success and failure for acquisitions and other major actions. These investments should instead be laid down and evaluated alongside other major strategic plans.



Design technology-business leader conversations around business results. Generally speaking, business and technology leaders trust each other, approach decisions with goodwill, and embrace the importance of digital technology and disruption. But they struggle to translate that consensus into a set of priorities and investments. Business leaders say that tech teams don't make a convincing enough case for their ideas—but perhaps that is because (as technology leaders say) they are not sure what the strategic ends the business team has in mind. Enabling those strategic conversations and setting the right organizational and governance structures around your digital investments will help drive value-creating digital investments.



Move quickly to execution. The best-laid plans are only as good as their execution. And in today's fast-paced, disrupted environment, moving at speed to action has never been more of an imperative. Only through effective execution can you turn strategic plans into operational successes that enhance innovation, financial performance, and competitive positioning. Think big, start with purpose, learn fast, and scale with confidence.

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ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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