Retail/Consumer Goods

How Digital Is Reinventing Levi Strauss & Co.’s IT Business Model
The 163-year-old blue jeans pioneer is turbo-charging business processes by applying new management structures and digital technologies to match the pace of selling directly to consumers.

Established retailers like Levi Strauss & Co. (LS&Co.) face a tall order in dealing with fast-evolving business models and ever-changing consumer expectations. Over the past decade or so, we’ve worked toward responding to the direct-to-consumer movement. Now, digital is changing the clock speed of the company. We need to operate at the pace of the consumer, in real time, all the time.

When we sold all our products through wholesalers, we had no way to access real-time insights or act in real time. IT historically operated as an island, with control and authority over “all things IT.” The need to transcend this old-world model is what makes it so critical to properly plan and deploy digital technology. IT must be integrated, agile and responsive.

Like many companies that deal directly with consumers, we’re implementing digital tools and rethinking how we manage technology. Business-led initiatives enabled through technology are becoming the norm. Today, it’s all about where and how IT architecture intersects with business architecture. The paradigm is shifting from “business vs. IT” or “business and IT” to “business is IT, and IT is business.” There’s no distinction anymore.

Three-Pronged Mission to Transform IT

We’ve undertaken a three-step approach to fuel our digital transformation and accelerate the direct-to-consumer pace of business. Our “True North” is to ensure IT is structured and resourced (in terms of people and partner-
ships) to meet the requirements of our business, in an agile and sustainable way. I think of it as “IT at the speed of (digital) business.”

Our three change imperatives include:

1. **Bring business and technology together, both organizationally and operationally, to speed up our service and capability delivery to meet digital consumer demands.** With our roots as a traditional wholesaler and brand, we did not really have direct-to-consumer interactions. With little retail of our own (though we had plans to expand our bricks-and-mortar presence) and no direct digital presence, we had a lot to do to position ourselves to engage directly with consumers. You have to be much more responsive and nimble to meet their needs. A couple of years ago, we started to shift the entire organization toward operating in real time. To get there, we’re emphasizing the technology side of the house. We needed to shore up IT’s relationship and credibility with business leaders by creating an IT structure that matches the business structure.

   Positioning IT leadership in matrixed roles, at both the IT and the business leadership table, has proved instrumental to our success. While we used to organize IT by technology platform, we now organize by business process – for example, e-commerce, sales and marketing. By making the technology lead part of the business leadership team, we ensure we surface the right priorities.

   Our business-savvy IT professionals are full partners with the business. They have a seat at the table and collaborate with their business counterparts. This allows IT to contribute and be recognized for the business value that’s created and closes the gap between what the business needs and what IT does.

   This structure also drives high accountability and ownership on both the IT and business sides for the investments we make. Today, we know immediately where we are on our most important business metrics, including sell-through rates, inventory and profit margins. It used to take us weeks to figure out how we were performing. We also have a new business intelligence environment (more on that below).

2. **Build trust by shifting to fact- and metrics-based IT performance.** Historically, IT lacked business credibility from IT operations and project execution. IT work was often not aligned with business priorities, was delivered late or did not meet envisioned needs. We’ve addressed this by building a relationship rooted in strategy, transparency and predictability, supported by facts and metrics.

   We provide operational excellence reports that focus on how and where we’re delivering against scope and time (and where we aren’t). This is informed by more sophisticated analytical tools – visualization dashboards, collaboration tools and real-time technologies, such as ServiceNow, Tableau and SAP HANA. We can show results and measure performance and value add/ROI. Transparency and positive results build credibility and trust.

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the business was not clear on what IT was working on and how IT initiatives supported strategic business priorities. It was unclear whether projects were delivered on time, on budget and on scope.

Now, we have dashboards and scorecards so we know what we’re doing, why we’re doing it, how we did at executing our initiatives, and whether or not the business achieved results. Data brings clarity. After projects are completed, we measure the ROI in six- to 12- month intervals to see if we achieved the benefits outlined in the business case.

Accountability and transparency around IT results/ROI drive trust and buy-in on the business side. As a result, the appetite has grown for digital technology to drive further business transformation. Business leaders are more willing to increase technology investments and place bigger bets with IT as we’ve been able to measure and prove the value of our IT investments. Now, the IT function and the business can rely on each other to accelerate total company performance.

3 Elevate IT’s strategic relevance and influence. With the right organizational structure and strong relationships in place, coupled with proven execution, we’ve built a solid reputation and established trust with our business partners. This has unlocked strategic influence. IT’s biggest value will come from bringing new and innovative digital technologies, services, solutions and ideas to the table.

By knowing what’s needed, what’s possible and what’s required to bring it to life, IT leaders can be equal partners with business leaders. Having established the trust required to take risks with new technology projects, IT now has the strategic influence to help the business fully leverage digital’s new capabilities as they become available at an ever-increasing pace. Once you have proved that IT is reliable and predictable, you can make additional investments in innovative projects. This is the essence of our transformation.
Digital Investments that Enable Tighter Business-IT Alignment

In addition to analytics and business intelligence tools, we’re investing in the Internet of Things (IoT), RFID to accurately track inventory in the store and manage replenishment in real time, and omni-channel retail capabilities to deliver on consumer expectations. We will incorporate these capabilities in our retail environments, supporting both business-to-consumer and business-to-business with our wholesale and supply chain partners.

In summary, IT can undertake three initiatives to transition to the new digital model.

- First, get your structure and IT talent right.
- Then, build a strong reputation and performance record with your business partners based on relevance, delivery and reliability.
- Finally, unlock the true value of digital for the business by inspiring and accelerating deployment of differentiating digital technologies with and for the business.

Author

Roland Paanakker recently retired as the Senior Vice-President and CIO at Levi Strauss & Co., where he was responsible for managing all aspects of IT, ranging from strategy and innovation to IT portfolio and program execution, and IT operations. In this role, he focused on reenergizing and transforming IT into a critical growth-enabler of the company’s product and omni-channel strategies worldwide and creating technology value for Levi Strauss & Co. worldwide — accelerating top- and bottom-line growth through differentiated IT services.

Prior to joining Levi Strauss in 2014, Roland held various positions at Nike, Inc. in Europe and the U.S. over 18 years. As CIO, he was responsible for developing new information technologies that enabled Nike to become the innovative product and omni-channel leader in its industry. He also worked for IBM Netherlands. Roland holds a bachelor’s of business administration & technology from H.E.S J. van Zwijndrecht in The Hague, The Netherlands. He can be reached at https://www.linkedin.com/in/rolandpaanakker/.