

Technology

Industrialize your applications delivery to achieve high performance



High performance. Delivered.

IT executives continue to search for ways in which they can measurably increase both the efficiency and effectiveness of their application environment. Accenture's experience shows that organizations can achieve savings and business results—beyond those associated with low-cost labor through offshoring—when they *industrialize* their application development and maintenance processes. And, in many instances, organizations find that the easiest way to achieve industrialization is by leveraging outsourcing to provide critical skills, reduce risk, overcome internal barriers and accelerate business impact.

• Consulting • Technology • Outsourcing

Getting back on the path to high performance

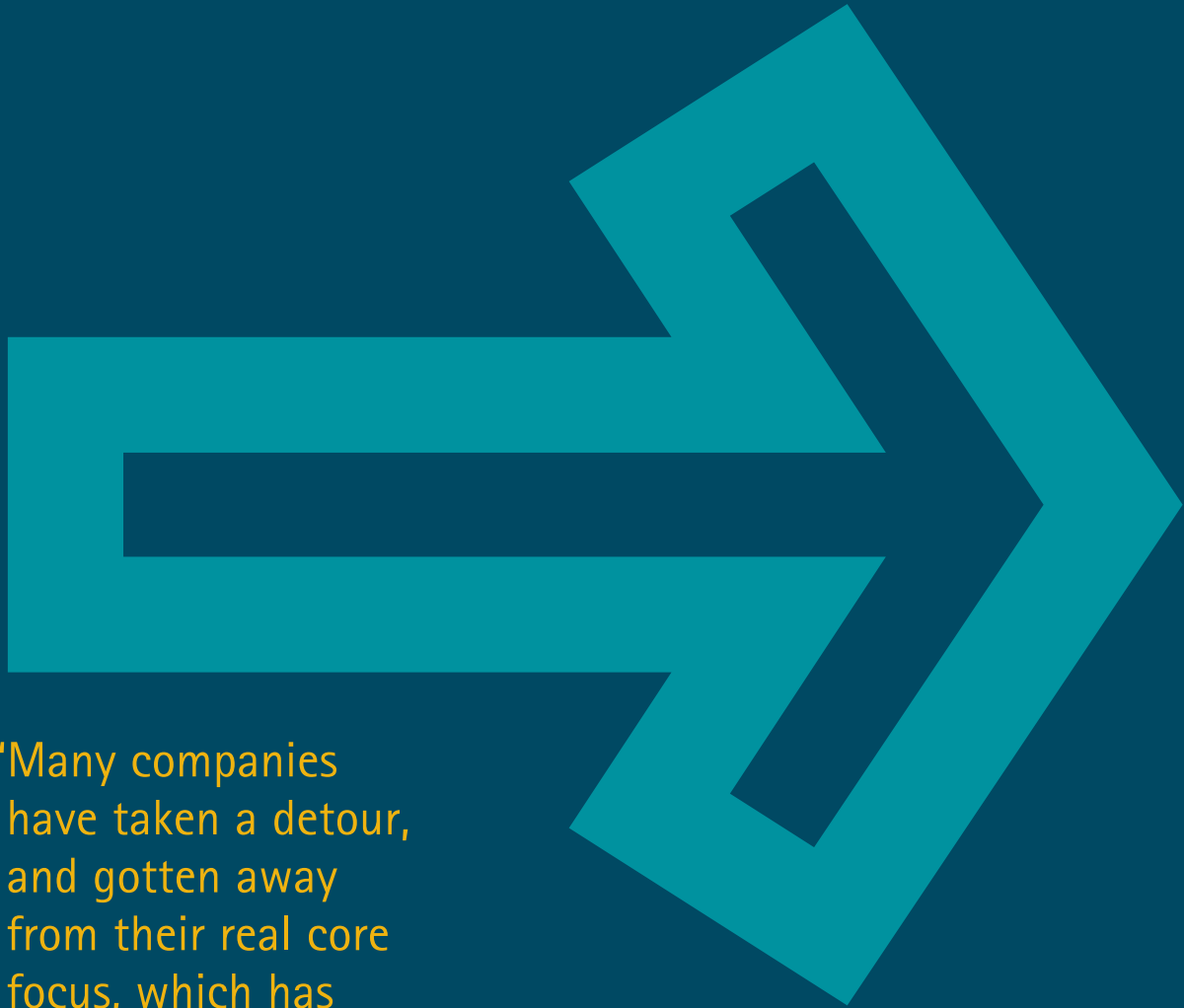
When companies began to outsource their information technology (IT) systems in the early 1990s, their initial focus was on *eliminating*—cutting out unnecessary work, excess staff and unwanted overhead. After cutting back their IT environment, the idea was then to automate and integrate IT and business processes, not only to reduce costs further, but also to increase the overall business performance of the organization.

However, with the advent of offshore outsourcing, many organizations became mesmerized by this new opportunity to quickly cut costs through labor arbitrage. The savings potential was understandably too great to ignore, as companies could actually operate inefficiently and still save money. As IT executives moved their application development and maintenance work offshore, critical

benchmarks used to measure efficiency and effectiveness (for example, software function points) fell by the wayside.

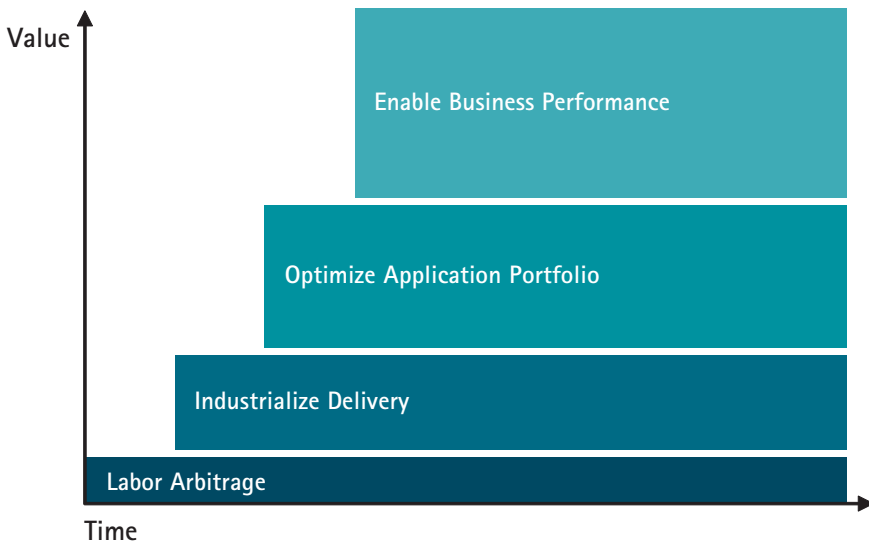
From what Accenture senior executive Don Richards sees of this journey, “Many companies have taken a detour, and gotten away from their real core focus, which has been to constantly innovate and evolve their critical business functions, IT chief among them.” This begs another question: “what has reducing costs through offshoring really done to help improve IT?” Or, more to the point, “how has it helped IT to improve overall business performance?”

And while simply pushing work offshore is one option to lower some types of costs, organizations may fail to lower their *total* costs for three reasons. First, moving work offshore, particularly before simplifying processes, may result in paying less



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A high-value approach to application outsourcing builds on a foundation of labor arbitrage



in the near term for an inefficient or ineffective process that will only increase costs further down the road. Second, moving work offshore, by its very nature, requires more complex processes due to the challenges of culture and distance, which can also increase costs. Third, lower labor costs do not fundamentally change how your IT operates. And once your organization has realized offshore cost savings, what do you do next to increase the value IT delivers to the business?

The latest research into how companies use IT to achieve high performance shows some gaps in both efficiency and effectiveness. For example, on average IT projects come in at a success rate of only 29 percent: the average cost over-run is 56 percent and the average schedule delay is 84 percent beyond plan. Furthermore, research shows that CIOs need much greater access to metrics focused on business

productivity to effectively manage their IT applications. The reality is that, while any of the individual tasks to improve cost and performance seem easy and straightforward, executing on all these tasks, together, can be extremely challenging. As one *Fortune* 1000 CIO states, "Talking about it and making it happen...well, that's where the problem occurs."

So what's next?

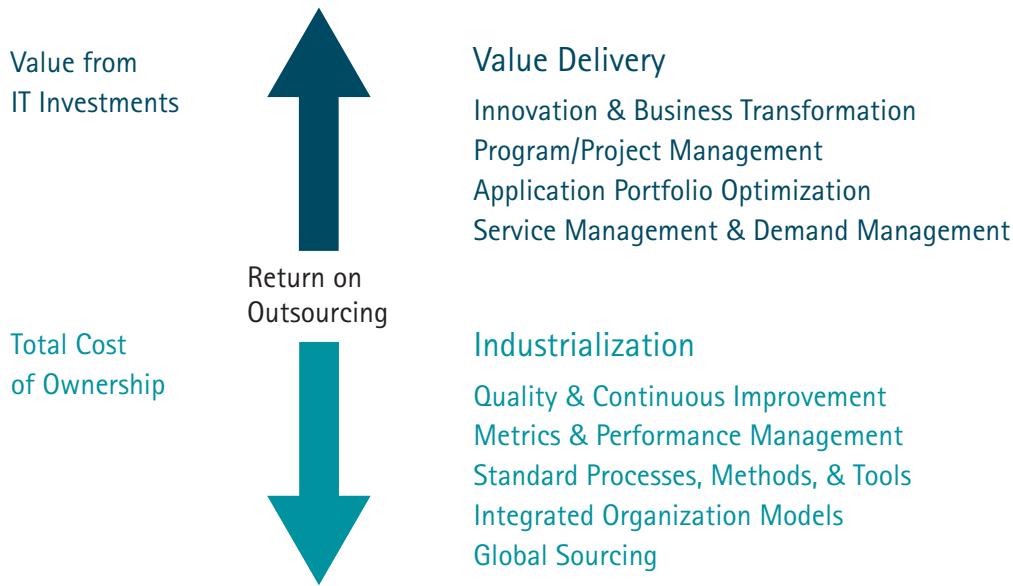
Industrialization: the critical next step

There are multiple inputs to achieving high performance through your organization's applications and the business processes they support. IT executives can no longer use offshoring alone as a way to help the larger organization reduce costs and create competitive advantage. The entire journey is really about (a) doing things right, which Accenture calls *efficiency*,

and then (b) doing the right things, which we call *effectiveness*. Whether employing offshore capabilities or not, Accenture believes that a more comprehensive approach is necessary for organizations to maximize the impact of IT on their business. One critical component is *industrialization*.

Imagine a manufacturing process for an entire line of diverse products, each of which has a different cost and function, but all of which, in combination, aim to help achieve the manufacturer's objective to serve customers, grow profits and generate returns. Imagine further that this manufacturing line runs on a "just in time" basis, where inputs and the release of new products coincide with demand. It all works because, while the range of inputs, effort, specifications and requirements shift constantly, the people and processes that make the products remain the same.

Accenture's Application Outsourcing Approach



Now imagine that this is your IT function working to support your business, where standard and repeatable methods play a key role in driving high performance. Each month, new projects come off the line, customers and requirements change, and demand for various types of software, systems and services evolves. Coupled with a sharp focus on process improvement, the right methodologies and tools can enable teams to reduce cost and risk as well as increase productivity, quality and return on investment on an ongoing basis.

On the surface, the concept of industrialization appears straightforward: bring together and apply the best approaches to application development and maintenance, and then reap the benefits. In reality, however, a large multinational organization may have multiple divisions and IT organizations, running a multitude of processes,

each with their own set of tools and owners. Distilling this into a single, effective capability can be an almost insurmountable hill to climb.

But shouldn't improvement be the rule, rather than the exception? What steps can organizations take to "scale the hill" and achieve sustainable results more rapidly? Outsourcing can help an organization industrialize delivery by providing the necessary guidance, experience and tools to accelerate the journey. Over the past several years, Accenture has developed and refined our approach to industrializing delivery of application services to make the process both repeatable and predictable. The goal is not only to improve cost savings, as much as 25 percent beyond those of labor arbitrage alone, but also to increase business productivity and outputs through highly specialized processes and people focused on continuous improvement.

What does industrialized delivery look like?

Accenture delivers application management to clients as a *business* service, not just an IT capability. To do this, we offer people, processes, tools and industry best practices that can enable clients to get critical resources when and where they need them. As part of our approach to industrialization, we help clients perform application work through five critical capabilities:

1. Global sourcing

- Deploy the right mix of onsite and offsite resources in consideration of cost/quality goals
- Operate 24 X 7 at the same level of service from everywhere, to anywhere
- Scale delivery based on growth requirements, while controlling costs

2. Integrated organization models

- Develop an operating model that aligns IT with the business
- Streamline processes and work across all internal and external resources
- Provide flexible access to employ the right people where and when needed

3. Standard processes, methods and tools

- Create factories for repeatable business processes and technologies
- Develop the proper technical and business architecture to automate key processes
- Leverage tools to manage demand vs. resources, and measure performance

4. Metrics and performance measurement

- Map service levels to larger business outcomes
- Use data for predictive analysis and to optimize future operations
- Track work progress against your original business case

5. Quality and continuous improvement

- Promote proper communication and control processes across the enterprise
- Install effective governance processes to serve and manage stakeholders
- Apply clear investment guidelines and business-case criteria

All of these capabilities must work *together* for successful industrialization. For example, we use standardized tools and processes to deliver application services through our Global Delivery Network; this approach not only facilitates better communication through a common way of working, but also enhances quality and productivity by transferring industry best practices and innovation across all parts of the IT organization. This, in turn, helps to create more satisfied users and lower delivery costs.

So how can industrializing application delivery impact your organization?

The impact of industrializing your applications delivery

To illustrate the impact that industrialization can have on your company, consider a \$1 billion enterprise where IT expenditures can easily average 3 percent of revenues. Our research shows that if this company can reduce application costs by 40 percent, it can generate as much as a 1 percent increase in operating income. This is because industrialization delivers robust governance models and IT process discipline, resulting in lower per-incident costs, greater platform stability, less rework and faster time to market.

Industrialization also helps IT to support the business in what CIOs say is one of their most critical requirements: compliance. Senior IT executives indicate that compliance-related technologies currently receive their highest priority, and standards and repeatable methods provide the visibility and control required to manage critical compliance data. Overall, an industrialized application environment can enable organizations to develop and manage applications that:

- Promote reliable and predictable applications delivery and costs
- Improve efficiency of people, processes and technology
- Improve decision making based on real-time business intelligence
- Increase the ability to focus on the core business
- Improve quality and productivity using service levels linked to higher business outcomes
- Innovate faster with better knowledge about how IT can support the business

In the case of one Accenture client, industrialization has helped a global telecommunications company to reduce costs and free up capital, while increasing the effectiveness of the company's applications and its business.

Through our industrialized solutions, Accenture reconfigured the company's applications to leverage more work from fewer assets. The telecommunications company can now re-direct staff to other areas of the business, given that fewer people can do the same amount of work. Standard, repeatable processes are lowering costs and creating leverage for higher productivity.

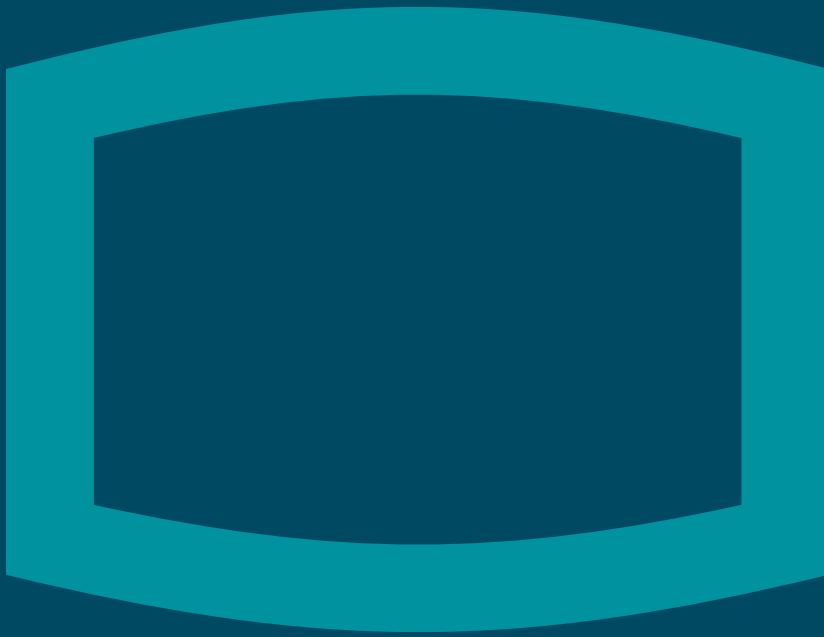
The new application environment links front- and back-office functions by using the IT applications to consolidate selling with customer service.

Customer service agents now use an integrated interface not only to resolve customer issues, but also to up-sell new products and services.

Accenture's application work has actually enabled the company to reduce the number of days required to fulfill service orders by 40 percent, which helps to generate revenue and cash flow more quickly and helps promote a higher rate of customer satisfaction and retention.

Industrializing your applications to achieve high performance

Market leaders expect the entire organization, including IT, to contribute to enterprise goals. While cutting back and saving money are part of the plan, long-term success depends upon an organization's ability to innovate and grow. For awhile, many IT shops focused on the immediate savings promised with labor arbitrage or other cost-cutting measures, at the expense of more lasting benefits available through industrialized delivery. There are signs of change, however, and today using an industrialized approach to application delivery to support the enterprise may be obvious enough. The challenge that remains, however, is how to get there.



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What's next?

To learn how Accenture can help you outperform, reach us at www.accenture.com/ao

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