

SITE: Discovering and Delivering IT Value



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IT Productivity in the United States: Do IT and Business Executives See Eye to Eye?

Final Report



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Background & Purpose

Years of heavy investments in information technology (IT) by organizations around the world have given rise quite naturally to questions—even doubts—among executives about the link between IT investments and the value realized from those investments.

This paper presents the major findings of an IT productivity study of a sample of large United States corporations, and discusses implications of the findings for senior management teams attempting to evaluate and maximize the value their companies derive from their IT investments.



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Methodology

- A total of 302 online interviews were conducted among employees at large United States companies across a variety of industries. Respondents met the following criteria:
 - 151 IT executives: Titles included vice president, director, CIO and other C-suite executives.
 - 151 business managers: Titles included senior manager, vice president, director, division or department head, executive vice president, general manager and C-level executives.
- Large companies were defined as those with more than 5,000 employees across all United States locations.
 - The median annual revenues for companies included in this study were \$10 billion.



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Executive Summary

- Regarding the value of IT in the company, compared with IT executives, business managers are less convinced of the direct link between IT investment and business value.
 - Business managers are less likely than IT executives to think that IT-based productivity has increased for the company as a whole.
 - Business managers are even less likely than IT executives to believe that IT-based productivity has increased in their division or department.
 - IT executives are more likely than business managers to believe that their company tends to outsource new system development rather than to manage existing operations.



Executive Summary

- Relative to IT executives, business managers are more likely to consider themselves excluded from the process of IT budgeting and resource allocation. As a result, they believe they are unable to influence decision-making in the best interest of their department or division and, by extension, of the company as a whole.
 - Business managers are much less likely than IT executives to think that business units are active partners in shaping the IT budget.
 - More business managers than IT executives are of the opinion that IT is under-delivering relative to what is being spent.
 - More business managers reflect the view that IT dollars are not distributed effectively across divisions, and are not allocated based on need.
 - Business managers tend to think that IT spending has increased over the past three years, while IT executives are apt to think that IT spending has decreased.



Executive Summary

- The degree to which IT expenditures and company goals are perceived to be in alignment greatly impacts perceptions about IT-based productivity.
- In particular, IT and business executives at companies where alignment is viewed to be strong are much more likely than those at companies where alignment is viewed as weak to:
 - Believe overall and IT-based productivity have increased in the past few years
 - Think that technology is used to better advantage, and especially that Web services contributed significantly to IT-based productivity gains
 - Make certain that time is invested to ensure that IT is connected with business value and productivity
 - Create a climate in which the executive management team and the CIO collaborate extensively, and in which business units contribute actively to fashioning the IT budget.



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Overall Productivity in the Past Few Years

- While the vast majority of executives think overall productivity at their company has increased in the past few years, this view is more prevalent among general business managers (GBMs) than IT executives (ITs).
 - ITs are more inclined than GBMs to think productivity has stayed the same.
 - GBMs are significantly less likely to think company productivity increases have impacted their department or division.



Factors Contributing to Increased Productivity

- The major factors seen as contributing to increased productivity overall are:
 - Better use of technology
 - Right amount of investment in IT
 - Cost cutting measures
 - Business process re-engineering (mentioned more by GBMs than ITs).
- GBMs are less likely than ITs to think that IT investments, other major capital investments or cost cutting measures were factors in increased productivity in their divisions or departments.



Overall IT-Based Productivity in the Past Few Years

- While most GBMs and ITs think overall company productivity has increased, they are somewhat less likely to think that IT-based productivity has increased over the past few years.
 - Business managers are less likely than IT executives to think that IT-based productivity has increased for the company as a whole.
 - Business managers are even less likely than IT executives to believe that IT-based productivity has increased in their division or department.



Attitudes toward General Management (Agree Completely/Somewhat)

- IT executives are more likely than GBMs to think that cost cutting measures reduce productivity.
- The vast majority of both groups agree that their company does a good job of managing its intangible assets and that the management team and CIO collaborate extensively.



Attitudes toward General IT Spending (Agree Completely/Somewhat)

- GBMs are much less likely than IT executives to think the business units participate actively in creating the IT budget. This suggests a communication gap between the two groups of executives.
- Both groups think they spend a good deal of time linking IT investments to creating business value and increasing productivity.
- Both groups think their company is cautious about technology expenditures.



Involvement in IT Purchase Decisions

- IT executives are much more involved than business managers in the IT purchase decisions.
 - In fact, half of the business managers reported little or no input.



Attitudes toward Specific IT Spending

- IT executives are more likely than GBMs to agree that their company spends more on new systems than on current systems and that their company tends to outsource to support new development more than to manage ongoing operations.
- Both groups are equally likely to agree that their company invests heavily in tools like decision-support systems.



Attitudes toward IT Accountability

- While about half of both groups agree that they don't really know how to make IT accountable, general business managers hold a dimmer view than ITs of how well IT has delivered relative to what is spent. More GBMs than ITs think that:
 - IT is under-delivering relative to what is spent
 - IT budget is not distributed effectively across the company or divisions based on need



IT Spending over Past Three Years

GBMs are more likely than ITs to think that IT spending has increased over the past three years. ITs, on the other hand, are more likely than GBMs to think that IT spending has decreased.



IT Expenditures

- IT executives are much more likely than GBMs to think that their company is spending less on IT than it should be.
 - Overall, few in either group think their company is spending more than it should be.
 - The majority of GBMs think the spending level is about right.



IT Expenditures versus Corporate/Division Revenues/Budget

- General business managers perceive their companies are spending a greater proportion of their budget on IT than do IT executives.
- However, IT executives name a larger amount for IT expenditures.



Anticipated IT Expenditures in Next Three Years

- The majority of both groups believe that IT expenditures will increase over the next three years.
 - ITs are a bit more pessimistic than GBMs about future IT spending. A minority of IT executives think that IT expenditures will go down in the next three years.



Contributions to Increased IT-based Productivity

- While GBMs are more likely than ITs to attribute IT-based productivity increases to end-user hardware, IT executives place more weight on business analytics.
- Overall, they both agree that software and database systems, Web services, remote access capabilities and network hardware have made major contributions to increasing IT-based productivity.

Ease/Difficulty of Achieving Alignment Between IT Expenditures and Goals



- Both IT executives and GBMs are somewhat polarized as to whether they view achieving alignment to be easy or difficult.
 - About as many ITs think it is easy (38 percent) as think it is difficult (38 percent).
 - GBM perceptions skew a bit more toward perceiving achieving alignment to be easy: 42 percent think it is easy, while 32 percent think it is difficult.

Alignment Between IT Expenditures and Overall Goals



General business managers are less likely than IT executives to view the alignment between IT expenditures and overall company goals to be strong.



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Alignment Segments

- Two groups were defined based on their answer to the following question:
 - Overall, how strong would you say the alignment is between IT expenditures and the overall goals of your company?
 - In total alignment
 - Very strong
 - Somewhat strong
 - Somewhat weak
 - Very weak
 - Not at all aligned
- STRONG**
- WEAK**



Differences Between Those Who View Alignment as Strong versus Weak

- IT executives and GBMs at companies where alignment between IT expenditures and company goals is perceived to be strong are much more likely than their counterparts where alignment is viewed as weak to:
 - Think overall productivity has increased in the past few years
 - Think IT-based productivity has increased in the past few years
 - Attribute the increased productivity to the right amount of investment in IT, as well as better use of technology



Differences Between Those Who View Alignment as Strong versus Weak

- Respondents at companies where alignment between IT expenditures and company goals is perceived to be strong are much more likely than their counterparts where alignment is viewed as weak to agree that their companies:
 - Have a management team and CIO who collaborate
 - Value their people and manage intangible assets well
 - Spend time and energy examining IT's linkage to business value and productivity
 - Engage business units in creating the IT budget



Differences Between Those Who View Alignment as Strong versus Weak*

- Executives at companies where alignment between IT expenditures and company goals is perceived to be strong are much more likely than executives at companies where alignment is viewed as weak to agree that:
 - Their companies have increased their IT spending
 - Their companies are spending about the right amount on IT
 - Expenditures on Web services have contributed to increased IT-based productivity



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Accenture's Strategic IT Effectiveness (SITE) practice helps organizations achieve greater business value from IT. Our professionals bring a boardroom perspective to IT, optimizing IT investments and transforming IT capabilities through four integrated specialist areas:

1. Focusing the IT debate on creating business value
2. Creating powerful propositions for IT-enabled change
3. Optimizing the IT investment agenda
4. Transforming IT to deliver improved capability and business results

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