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Meeting the mandate for global IT

By Nan J. Morrison

CIOs are coming under more and more pressure to control costs, recruit the best talent and serve both the company and its customers from a global perspective. Here's what many of them in North America are doing to meet the challenge of fully globalizing IT capabilities.

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What does it mean to be a global IT organization?

At a US manufacturer of industrial equipment, IT supports the company's computer-aided design systems in Eastern Europe and ensures that the development teams receive performance data on the company's products from Australia to Patagonia. Meanwhile, a leading media services agency has rolled out global workflow solutions and worldwide systems for managing its creative assets so it can provide seamless product delivery to its global clients.

These are just two examples of ways companies are using IT operations globally. But are they evidence that IT is being used globally enough to meet the demands of a multi-polar world in which many companies' key business functions are dispersed throughout dozens of countries?

In fact, it is more likely that IT operating models are out of sync with the overall business direction. Although 85 percent of business managers who responded to a recent Accenture survey claimed that global operations were crucial to their organizations' business strategy, 94 percent of them said their companies' operating capabilities to support that strategy were not up to par.

Chief executives need to ask their IT leaders how much more efficiency they can gain and how much more business value IT can create with a more global approach (see sidebar, opposite). CEOs must be confident that IT is helping the company use its assets well no matter where they are located; that IT can roll out new tools or updates globally when needed, quickly and error-free; and that IT can support external customers as well as internal operations such as the global supply chain or worldwide brand management.

Of course, there is no universal blueprint for making IT "global enough." But in Accenture's view, the most important feature of a global IT operation is a single CIO with global enterprise responsibility—a highly experienced executive who sets overall IT priorities and heads a global IT governance steering committee.

That does not preclude many of the CIO's direct reports from having end-to-end responsibility for their domains worldwide—for example, an IT leader who "owns" enterprise architecture activities everywhere. But it does limit the ability of local or regional CIOs to make independent decisions that may not be best for the IT organization as a whole.

The CIO of a top global marketing firm puts the concept this way: "Having a global IT operation is about taking geography out of the equation. It's about doing work across many markets in a consistent, efficient way, with everyone having access to information and knowledge, regardless of location."

Accenture has been down this path itself. Our transformation to a global IT operating model began eight years ago with the decision, upon becoming a publicly traded company, to manage the business as a single global entity rather than through many separate country units. The business provided full support as Accenture's IT organization moved to one enterprise resource planning platform and a unified infrastructure that enables global collaboration, cost reduction and a single view of operating data.

As our number of employees grew by 133 percent and revenue increased by 72 percent, the cost of IT as a percentage of revenue fell by half, IT expenditures decreased by 24 percent, and the total applications count was almost halved. Notably,

Global realignment: The payoff

A global approach to IT will not only make an organization more efficient, it will also create more business value.

- Global connectivity and platforms allow employees to collaborate seamlessly, leverage assets across the business and work from anywhere without losing productivity. Such flexibility is especially valued by Gen X and Millennial professionals.
- Application costs, infrastructure costs and service costs are reduced through global rationalization.
- The business has “one version of the truth.”
- Best practice local solutions can be more easily shared worldwide when there is a global IT management structure and governance model to facilitate information flow.
- Acquisitions can be integrated more quickly and less expensively.
- Best practice and scalable IT processes and service levels can be implemented, monitored and measured, improving quality and reducing the risk of local, undocumented or unproven processes.
- CIOs gain better visibility of the range of IT activities, allowing standard metrics to be implemented and used consistently, enabling quick responses to issues and more effective priority-setting.

during the same period, satisfaction levels for Accenture employees improved by 20 percent.

Stepping up

Creating a fully global IT operating model presents a range of opportunities to support the business—opportunities that can be grouped in two main categories.

Creating more value for the business. IT can help a company build stronger capabilities in areas such as collaboration, global operations, and business information and analytics—capabilities that make it easier to tailor products and services to customers’ needs.

IT enables global collaboration through common tools and a connected infrastructure. For example, Accenture estimates that although

workers in high-value roles—such as research and development, product development and marketing—typically spend 80 percent of their time working collaboratively, they rarely meet face to face. So for, say, a manufacturer of large industrial equipment, it is essential that IT supports collaborative product design in the United States, India and China, allowing engineers worldwide to share ideas and design efficiently while accommodating local variations and product development lifecycles.

Collaboration also extends externally to customers, suppliers and partners. One advertising company CIO noted that since many of her firm’s clients are global, content review must be global as well—from the first design concepts for an ad to approval by the client. In essence,

Are you global enough?

It's increasingly likely that the CEO will ask whether IT is appropriately global. Here are some of the questions the CIO should be prepared to answer.

- Can our products be reviewed with customers, virtually and in real time, regardless of geography?
- Can our teams work seamlessly with one another no matter where they are based?
- Can IT provide the right level of support around the clock and at the right cost?
- Is IT managing its global infrastructure, applications portfolio and service delivery platform with the goal of reducing total cost of ownership worldwide?
- Is IT tapping into the right talent wherever staff is located?

collaboration allows IT to support the business wherever it is operating and wherever its customers are.

A global IT operating model enables local best practices to become more visible and to be shared globally, quickly. Explains one CIO: "Our internal express mail delivery system was developed in our Australian operations, and proved so valuable that we rolled it out globally." And by applying global data standards that align with worldwide business metrics, IT can help develop a common view of data—in essence, a "single version of the truth" that improves decision making in areas such as global supply chain, inventory management and customer relationship management programs.

Running IT more effectively and efficiently. Adopting a global IT operating model can also help companies reduce costs significantly. One CIO estimates that he drove costs down more than 35 percent by focusing on a global services footprint with rationalized and tiered service and support. He and his team rethought the sourcing of internal

IT functions, moving operations that did not need to be close to the business—help desks, for example—to lower-cost company locations.

In Accenture's experience, the global management of systems and infrastructure also means that the IT investment portfolio can be managed more effectively. A global view of investment allows IT to work with the business side to focus dollars on the best internal platforms to build from, to take an aggressive approach to retiring applications as the global portfolio evolves, and to quickly roll out upgrades or manage emerging risks on current platforms.

With a global architecture standard (or at least with guiding principles in place), the business is better able to roll out new technologies. Global standards or principles also simplify the decisions made during an acquisition and reduce the amount of post-merger integration work required; this, in turn, speeds up delivery of synergies from the acquisition on both the IT and business sides. (For more on IT and post-merger integra-

Adopting a global IT operating model can help companies reduce costs significantly.

tion, see “Reconcilable differences,” *Outlook*, June 2005.)

By taking a global approach, IT leaders can also tap a broader talent pool as well as broaden career opportunities for their staffs. “Talent is location-agnostic,” notes the CIO of a leading US industrial manufacturer with nearly 500 locations in 50 countries. Adds the CIO of an international brand-building firm: “With IT staff of necessity drawn from what used to be called the four corners of the globe, I’ve found the interaction within such a diverse group yields higher-quality solutions than when the old fraternity of American IT guys mirrored each other.”

Roadblocks

Given the many benefits of a global IT model, why haven’t more companies adopted it? Three roadblocks are most common: the organization’s limited global perspective; competing priorities; and general resistance to change.

If the business is operating with significant local autonomy, it is likely to consume IT resources accordingly and may not be amenable to taking global direction. In this case, IT leaders will have more success introducing global models if they focus first on internal IT changes, such as server consolidation, which usually require less business involvement. Explains the CIO of a large international marketing services company: “Too often, companies operate locally even when they have a global presence, a federated model with processes and workflows repeating in each market. IT cannot function truly globally in these circumstances.”

Competing priorities are another impediment. When most initiatives are managed locally, or if there is no single global “burning platform,” it is challenging to get the attention

and focus needed to drive change from a global perspective.

And, as with any change effort, there is always resistance. This will be especially true in cases where individuals who have barely communicated suddenly need to work together in new ways, or where local IT managers see their spheres of influence shrinking.

Before such obstacles can be overcome, it is essential to have the executive team’s wholehearted buy-in for the concept of a global IT model and what it will be designed to achieve. Their support of the changes required to get there is critical—to establish the communication and governance structures required for success, to secure funding and to position the transformation plan as not dependent on the CIO alone.

A clear business case primes the buy-in and establishes key metrics. In an exemplary case, one company’s CEO clearly articulated a global IT perspective as part of his vision for global business, and today he meets regularly with the CIO and COO to measure progress.

Game plan

Moving IT to a global operating model involves many of the same challenges as executing a new IT strategy or managing the integration of IT functions during a big merger. Says the CIO of a major cable TV content provider, “The basics still hold: Align to company strategy, get the right people in the right jobs and communicate.”

So what is the game plan?

1. Get ready to get going

The first step is to understand the business priorities and to gauge how a global IT operating model will help the organization meet those objectives. Once those

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considerations are clear, the CIO can start to think through the operating model design.

There are many design questions. What should the new organization structure look like? What will the global roles be? Where will those people reside? How much of the IT organization might still be controlled locally versus centrally, and what management needs to be in place in those locations? What changes must be made to existing governance processes now that decisions have a global impact? What specific skills and capabilities are needed to address emerging global business needs and to manage with a global span of control? How can these skills be acquired—built or bought—and what are the trade-offs of balancing internal know-how with external perspectives and skills? What metrics will best measure the value a global IT operating model is delivering against its targets?

The answers to those and many comparable questions can then be evaluated against the current baseline of IT assets and attributes—the applications and infrastructure footprint, the capabilities inherent in the organization, and the current organization structures and processes.

The resulting gap analysis drives both the business case and the implementation plan. It may reveal, for instance, that there are more data centers than are cost-effective for a fully global operation; that few managers have cross-border management experience; or that there is a significant “shadow IT” organization that will need to be brought into the fold if the full benefits of the new model are to be realized.

2. Build the case for change

Now, with a clearer view of the gap between where IT is and where it is going, the CIO must build the business case. This is crucial to

engaging top management, to demonstrate business value and as an input to setting implementation priorities. It should include all relevant costs and investments, reflect both long-term and near-term priorities, and consider economic and other criteria—for example, supporting a “top three” business objective, improving time to market for key products or meeting the needs of the most important customers.

For example, if a company does not reconfigure its architecture to support common standards for digital media, it might not be able to share content across markets easily and create competitive advantage. Thus, the business case might identify several new sources of revenue available only if the company implements this capability.

3. Build a comprehensive, phased transformation plan

It will not be possible to effect massive changes in one fell swoop, so most CIOs pick their starting point based on the key business drivers, on ease of implementation and on the time it will take to start seeing benefits, as identified in the business case. Priorities will be refreshed over time.

One CIO notes that her group's transformation plan started with infrastructure, driven by Y2K demands and then moved along by the company's globalization and by growth in emerging markets, which called for much more extensive collaboration. Now, as attention has shifted to common digital applications and to Web 2.0 technologies, this CIO finds that infrastructure considerations are less important because the business value is generated elsewhere in her IT organization.

The transformation plan also has to be comprehensive—addressing not

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How global IT redefined P&G's in-store promotions strategy

Procter & Gamble had a problem: The consumer goods leader's trade promotion management (TPM) capabilities had become inefficient.

In the retail business, TPM can be a significant expense category. It involves the processes and costs of special promotions paid by a producer to a retailer—for example, for a special one-week in-store display that includes a temporary price cut. For P&G, trade promotion management is essential for products as varied as Pampers, Tide, Crest and Duracell, and it must be managed across the 160-plus nations in which the company does business.

With such a significant investment worldwide, P&G needed a solution that would better measure the results of its promotions strategies. The solution had to be one that consistently identified the most profitable tactics or decisions that would optimize promotion spending in the future.

Procter & Gamble's primary challenge was coming up with a standardized, global way to manage, track and analyze trade promotion spending across its far-flung enterprise. Like many global consumer goods companies, P&G monitored its promotional activities on a country-by-country basis. In some regions, it used promotion management software tools; in others, promotions managers relied on complex spreadsheets. This disjointed approach was far more costly than it needed to be. In addition, management was not able to easily view promotion details across accounts in a standardized format—an impediment to crisp decision making.

The consumer goods leader set out to standardize its TPM capabilities worldwide. Specifically, its IT teams, working with P&G's promotion management teams from the United States to Indonesia, saw the value of building an application development capability that would streamline and unify the company's many TPM applications, improve productivity and lower P&G's total cost of application ownership.

Working with their external technology partners, P&G's IT teams designed, developed and rolled out a standardized platform for planning, funding, tracking and evaluating the company's trade promotion management activities worldwide. They paired their partners' top IT professionals in Bangalore, Manila, Milan and Monterrey with local P&G resources to identify region-specific integration needs, quantify the impact of the TPM system changes, forecast data volumes, and prepare the local business units for the new trade promotion management system and processes.

P&G's operations in Indonesia became the pilot for the project. The effort involved upgrading P&G's country-specific data repository and enhancing the TPM system and processes. The IT teams then oversaw changes to the core system's functional and technical design, transforming a regional application into a global, scalable solution.

So far, Procter & Gamble has rolled out six major releases of the global trade promotion management solution to more than 14 countries, and is set to distribute the new capability to thousands of users in more than 50 additional countries over the next three years. The improvements allow the company to not only manage its current promotions more efficiently but also to redirect promotion investments to higher-value activities and to plan yearly promotion activity more accurately.

As attention shifts to common digital applications and to Web 2.0 technologies, CIOs may find that infrastructure considerations are less important.

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just the projects necessary to achieve target applications, infrastructure or information architectures but also the work needed to implement processes, develop new sourcing relationships, change the organization structure and build new capabilities. For example, it may be necessary to adopt new types of pilot processes. One CIO now pilots in at least three locations to achieve buy-in before launching global rollouts.

Note that while global governance processes will vary by company, having a process in place and adapting it over time are also critical to successfully managing the transformation plan.

4. Spend serious time on change management and communications
Frequent communication and strong change management skills are essential. As one CIO puts it: “You need to be like Mother Teresa to placate, like a kamikaze pilot to drive important initiatives and like Winston Churchill to negotiate the paths in a global world.”

As with any major new initiative, it is not possible to simply “flip the switch.” Most CIOs we know who

have embarked on the transformation to a global IT model caution that it took longer than they expected, in part because of the many managerial subtleties and because of the myriad change and communications actions that had to be addressed.

CIOs who have been through big change programs know how important it is to take them step by step. Understanding that the highest hurdles are cultural and political, not rational, they invest time and effort early on in order to build thoughtful change campaigns that win strong support from those who will be affected.

Those CIOs also know there’s no substitute for being there, and that bringing non-US operations into the fold requires on-the-ground time in those locations, assessing talent, understanding how things are working, figuring out which aspects of the culture or processes should be retained, gauging the risks of change and communicating the changes. Advises a Fortune 500 IT leader: “Be prepared that some regions may need to move more slowly. Flexibility in approach mitigates the risks of losing the benefits of good existing working relationships.”

Implementing a truly global IT operating model is challenging, but it offers substantial rewards for both IT and the business. It requires continuous attention to managing the change, communicating success and keeping the transformation program relevant. IT must work to leverage its own scale, scope and global talent, and employ creative sourcing strategies to deliver value.

The reward comes when IT truly supports the global business. It means that IT has established secure global connectivity to enable collaboration and knowledge sharing internally and with customers. It is evident in standardized enterprise architecture that reduces costs and allows single views of data. And it shows up in the faster integration of acquisitions and the efficient rollout of new technologies to support the business. The CIOs who can drive this transformation will create opportunities for their IT organizations and help their companies compete more effectively in a multi-polar world.

About the author

Nan J. Morrison, a New York-based senior executive in Accenture's IT Strategy and Transformation group, leads IT in the Mergers & Acquisitions practice area in North America. Her 20 years of consulting experience include strategic and operations analysis and planning in both the private and public sectors. She has also held operating roles at Morgan Stanley, Goldman Sachs and General Electric.

nan.j.morrison@accenture.com

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