

This article appears in
the 2014, No. 1, issue of

Outlook

The journal of high-performance business



High performance. Delivered.

Information Technology

Masters of the digital universe

By Paul Daugherty

The influence of the best IT functions is being felt throughout their organizations—serving customers better, integrating with business strategy, empowering employees and using data to deliver insights and measure business impact. In the process, they are changing the rules of how to run a successful digital enterprise.

What distinguishes companies with a high-performing IT function? If you said, “Their IT capabilities,” give yourself only partial credit. To be sure, these IT market leaders are ahead of the pack when it comes to areas such as moving applications and infrastructure to the cloud, adopting agile software development methods and embedding predictive analytics into key processes.

Equally important, however, if not more so, is the way high performers are integrating their IT strategies and capabilities with their overall business strategy and pushing relentlessly toward specific business outcomes. In other words, it’s not simply about doing old things better and faster. The best of the best are changing the rules of the digital business.

High performers in IT are consolidating the significant lead over their peers that they have opened up in recent years. Under continued budgetary pressures, CIOs are finding novel ways to optimize—holding down costs and streamlining processes across their organizations—while also actively driving innovation and top-line growth.

This is the dominant insight from Accenture’s latest High Performance IT report, the fourth such comprehensive survey we have undertaken since 2005 (see sidebar, page 7).

The research findings point to several areas in particular where these top-performing IT organizations are becoming increasingly central to their companies’ strategic direction.

Customer focus

Most organizations continue to be internally focused on cost, productivity and processes. High performers’ top priorities, by contrast, are related to improving the customer experience.

What values should the IT function focus most on delivering? The answers from most survey respondents primarily concerned internal efficiency issues—cost, productivity and processes. Although those issues made the Top 10 lists of high performers, they were not among the first three concerns. Instead, for these organizations, the foremost objectives were about linking their IT investment strategies to outcomes their customers cared about: better information, better interactions, and better products and services (see chart, page 4).

customers and has corroded relationships: “Dial 1 if you’d like to wait 15 minutes to speak with a representative; dial 2 if you’re ready to give up.” Today, though, companies can use digital technologies and social media platforms to personalize interactions and give customers more options and more control. In the words of Bill VanCuren, CIO of NCR Corp., the global consumer transaction technology company, today’s technologies “give consumers more choice not just in what they’re buying but in the channels through which they’re transacting.”

There is irony in this finding, in that too often in the past, technology has been a source of frustration among

Companies can also leverage digital technologies to create and sustain relationships that will result in new

Daring to be digital

In addition to driving greater strategic impact from their IT function (see story), high performers also excel at several specific IT capabilities, according to our research. High performers are investing in the digital tools, capabilities and skills to more easily pinpoint useful data, analyze it, derive insights from it, share it, manage it, comment on it, report on it and, most important, act on it.

These companies are looking to all things digital to upgrade a host of processes and to catapult their organizations forward. Increasingly, they are using digital tools and systems to push for excellence across all three dimensions of High Performance IT: IT innovation, IT agility and IT execution.

Here are some specific data points in support of this conclusion.

- **Commitment to mobile.** Fully 69 percent of high performers (versus 42 percent of others) are already committing to mobile transactions, allowing their customers to reorder their favorite pair of shoes, book travel, pay for their coffee and even transfer cash between bank accounts on the go. Fifty-four percent of the exemplars have also deployed a mobile-enterprise app store (versus only 22 percent of other organizations), providing enterprise-grade functionality to their mobile users.
- **Cloud first.** High performers are approaching new enterprise IT architectures with a "cloud first" mentality. They are already migrating workloads to the cloud and learning to manage a hybrid IT environment—private clouds and public clouds as well as traditional hosted and on-premise applications. For example, 58 percent of high performers intend to replace legacy architecture components with private and public cloud alternatives, while only 21 percent of other organizations have such an intention.
- **Agile development for an agile business.** New technologies, applications and sourcing strategies need to be accompanied by new delivery methods, such as "agile" development, which stresses rapid, collaborative, iterative and incremental software development involving cross-functional teams. One in five high performers has adopted agile methods, six times what others do. The payoff: simpler, more elegant and more flexible architectures that make it easier to experiment with new technologies, respond to changes without the need to shut down systems, and add functionality as required.
- **Investing in skills.** High performers identify, early on, the internal and external skills they need to drive business outcomes from new IT capabilities. Indeed, 85 percent of them reported that skills in new technologies are especially important to future success. Because they are avid experimenters, they can quickly spot existing skills gaps. One-third of them have already addressed those gaps (versus only 3 percent of other organizations), and another 44 percent are busy recruiting and training in required skills today (versus 30 percent of other organizations).
- **Securing the enterprise.** All organizations struggle, to varying degrees, with today's complex IT security and privacy needs. But high performers have made more progress in responding to that challenge—and, indeed, in developing more effective and holistic security policies in general. More than a quarter of high performers are expanding the scope of their security and risk management functions to include intellectual property, product innovation and processes—three times more than other organizations. As with the general theme of this year's High Performance IT report—that IT and business strategies have merged—high performers see a seamless blend between IT security and business risk, and take an equally seamless approach to mitigating those risks.

customer acquisitions and, for current customers, repeat sales. Commonwealth Bank of Australia understands this. The bank has transformed its IT approach with a focus on moving from "product" to "relationship" value. Key decisions it has made in the course of modernizing its core banking platform have been driven by a focus on customer service and the overall customer experience.

This customer focus is more than simply a vision or an intention. Indeed, we found that high performers' front-office applications—HR, finance, supply chain, sales, customer service—are among their portfolio's best performing in terms of technical and business adequacy. Conversely, these applications tended to be the poorest performers for other organizations surveyed.

The customer is king

When asked about the business objectives of their IT investments, CIOs at high-performing companies ranked customer-related objectives as their top three priorities. Other organizations were more internally focused, with cutting costs and improving productivity listed as their top priorities.

Ranking importance of business objectives to CIOs' IT investment strategies

High performers	Other organizations	
1	4	Providing the right information to the right person at the right time
2	5	Finding better ways to interact with customers
3	6	Delivering new services or products to customers
4	1	Cutting business operational costs
5	2	Increasing workforce productivity
6	3	Automating core business processes
7	7	Supporting our business innovation process
8	9	Supporting geographic expansion
9	8	Securing our intellectual capital and company information

Source: High Performers in IT: Defined by Digital. Accenture High Performance IT Research 2013

Business vision

High performers have moved beyond seeing the world only through IT lenses; they view IT and business capabilities in a larger social, economic and geopolitical context.

When considering the appropriate strategic objective for IT, in what business context should the IT function seek to realize value? This hasn't always been a question CIOs have asked, much less answered. We found, however, that during IT planning, high performers were five times more interested than their lower-performing peers in exploring business scenarios within the overall economic, geopolitical and social context of their company. What's the level of consumer demand? What is the sustainability impact? Are there regulatory issues to consider?

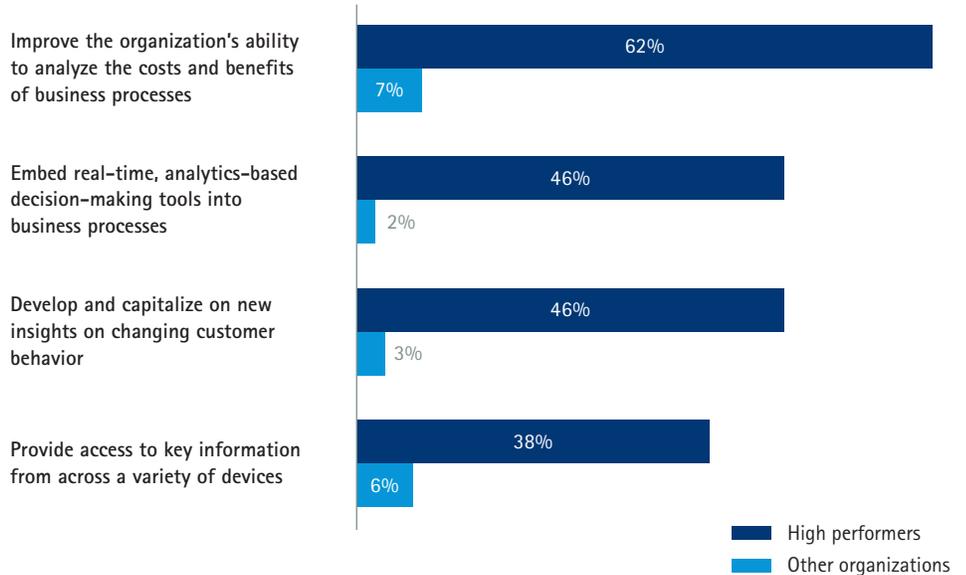
These questions matter to the take-up of products and services, so they matter to the CIOs of high-performance IT departments. That means that they actively listen to and understand their fellow executives' issues from a business viewpoint; they don't see the world solely through IT glasses.

Effective CIOs also make it their business to seek out wider perspectives, and they expect the same of their top lieutenants. This allows high performers to add much more value because they understand where the

The analytics advantage

High performers are building strategic analytical capabilities, such as improving the organization's ability to analyze the costs and benefits of business processes, and embedding real-time, analytics-based decision-making tools into business processes.

Our organization has realized the following benefits from integrating its business processes, information and IT systems to a very large extent



Source: High Performers in IT: Defined by Digital. Accenture High Performance IT Research 2013

business is headed. High performers also track the impact of their investments on business metrics more often than do other organizations. And

all high performers expect moderate to significant improvement in those metrics in the next year—especially in customer and employee satisfaction.

In sync with strategy

High performers invest to deliver tangible and measurable strategic outcomes, working hand in hand with the business and investing more in new projects than their industry peers.

High-performing companies are far more likely than other organizations to be focused on using IT to significantly upgrade business capabilities. Their investments typically reflect the strategy and needs of the business, with the goal of creating differentiated, market-driven opportunities.

High performers, for example, allocate almost half of their IT budget (48 percent) to new projects; for other organizations, that figure is only 41 percent. And

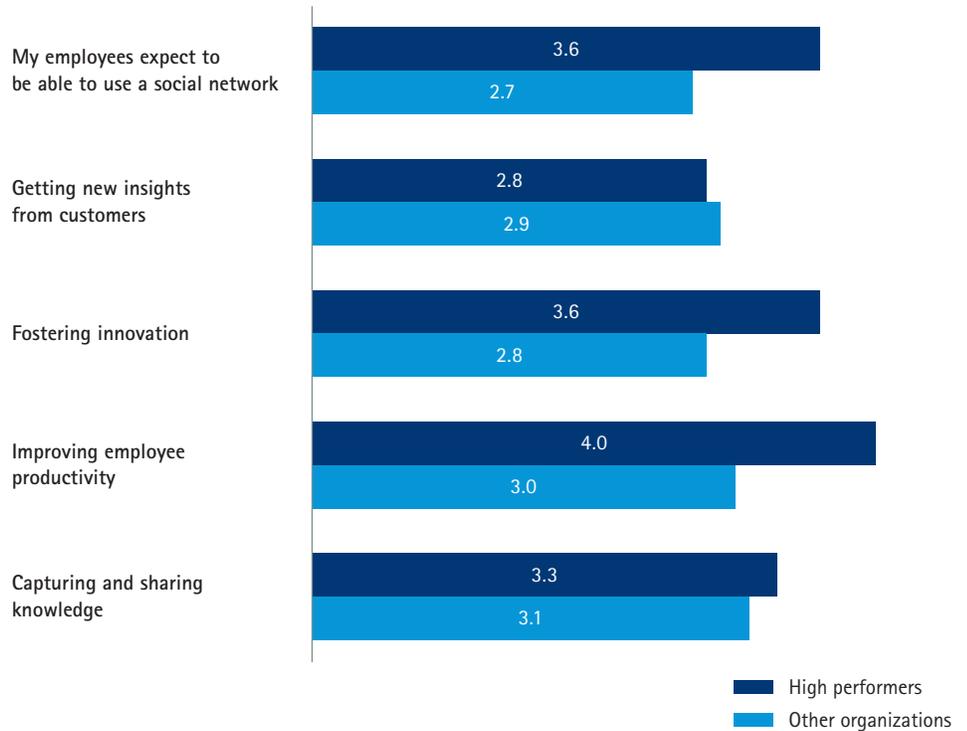
55 percent of high performers' IT investments, compared with just 37 percent at other organizations, are designed to deliver strategic capabilities for the business.

What does this collaborative relationship between IT and the business look like in practice? Consider telecommunications provider Verizon Wireless, where IT partnered with the chief operating officer's team to transform the company's retail stores to enable more consultative

Joining forces

High performers take significantly greater advantage of their investment in collaborative technologies.

How would you rate, on a scale of 1–5, your performance in achieving the following objectives when leveraging collaboration technologies (interactive portals, social networking, video, instant messaging, SharePoint, wikis) in your organization?



Source: High Performers in IT: Defined by Digital. Accenture High Performance IT Research 2013

selling. Explains CIO Shankar Arumugavelu, “Previously in our stores, we had the desktop or laptop between the sales rep and our customers. Now, about 20,000 of our reps nationwide are equipped with tablets which feature

the point-of-sale system. So now they can work side by side with customers.” An additional benefit was that customers saw the value of tablets in a real-life setting, which increased Verizon Wireless’s sales of Internet devices.

Outcome-driven analytics

The majority of high performers are fully committed to new information management technologies, and their investments in data management and predictive and descriptive analytics are paying off.

Chances are good that your company has been investing in new information management capabilities—analytics, master data management and more. But are those investments paying off as promised? Are you generating insights that are delivering solid

business outcomes? If you’re a high performer, the answer to both questions is an unqualified yes.

In fact, when it comes to generating business value from information management, the performance gap

About the research

Accenture has been conducting High Performance IT research since 2005. To date, this has involved the in-depth participation of more than 1,700 CIOs across 45 countries. IT assessments have been completed by the most senior IT executives in 202 of the world's largest private and public organizations. The respondents represent a wide range of industries and geographies: 45 percent were from Europe, 19 percent from North America, 20 percent from Asia Pacific and 15 percent from Latin America. The companies have combined annual revenues of more than \$2.4 trillion and include both Accenture clients and non-clients.

is huge. More than three-fourths of high performers (77 percent) are achieving or exceeding expectations in data management; an equal percentage has attained that level in content management. For other organizations, only 30 percent report achieving or exceeding expectations in data management, and only 23 percent report such achievements in content management. Fifty-four percent of high performers have achieved solid results from descriptive analytics; the same percentage report success in predictive analytics. In those analytics areas, only 28 percent and 21 percent of the peer set, respectively, have achieved or exceeded expectations.

Performance gaps are similarly large when it comes to realizing specific strategic benefits from analytics capabilities. Sixty-two percent of high performers reported that analytics is improving their organization's ability to analyze the costs and benefits of business processes; only 7 percent of other organizations agreed. Forty-six percent of the top IT organizations have successfully embedded real-time, analytics-based decision-making tools into business processes, and have also developed and capitalized on new insights into changing customer behaviors; only 2 percent and 3 percent of other respondents, respectively, could say the same (see chart, page 5).

How would one summarize the benefits of truly strategic analytics capabilities? A company can be agile in the marketplace only if it has the ability to look down the road (not just in the rear-view mirror), understand what's coming and change course proactively.

Take, for example, Ireland's Office of Revenue Commissioners. Although the agency's existing systems for transaction processing contained checks and validations to detect erroneous claims, quite often cases of noncompliance were not identified and rectified until after refunds were sent or credits applied. Revenue (as the agency is known) sought to strengthen its processing with real-time risk scoring, predictive analytics and intelligence-driven business rules. By embedding predictive analytics within existing processes and systems, Revenue has reduced noncompliance, both deliberate and inadvertent. Real-time risk scoring has also cut down the number of compliant transactions routed for review, improving efficiency and service. The new analytics-based system has proven to be over 80 percent more effective at detecting fraudulent or erroneous refunds than the preexisting business rules, and had recouped the costs of the project in a matter of months.

Enabling the extended enterprise

Employees are increasingly mobile, and teams of employees and contingent workers often come together on the fly—making when and where the work is done irrelevant. And because they depend on information technology portfolios to make it all work, they want to be able to choose their own devices and their own productivity applications that they must be able to access 24/7.

High performers are more likely than their peers to be “mobilizing” their enterprises and to understand how today’s technologies, including smart devices and social media, are changing not only how their companies interact with customers but how employees interact with one another on behalf of the organization’s business goals.

For example, rather than restricting employees’ use of their own mobile devices, high performers are encouraging such use while putting in place the strong security protocols that protect data and intellectual property. In other words, farsighted CIOs view employees’ mobile tools as productivity multipliers, regardless of who bought the devices.

High-performance IT organizations also enable their companies’ employees to be more self-sufficient, cutting costs while boosting productivity. Seventy-one percent of high performers say that employee interactions are now entirely self-service and delivered seamlessly across channels, compared with only 36 percent of other organizations.

However, even the top IT organizations are lagging when it comes to empowering people across the extended enterprise—the ecosystem of partners, vendors, contractors and suppliers. Among both high performers and the rest, not even a third of customer and supplier interactions are self-service or seamless across all interaction channels. This represents only a slight increase from our 2010 report, when respondents reported that 26 percent of customer interactions were self-serviced online.

Certainly there are notable exceptions. Take the Australian Taxation Office (ATO). The agency is looking to provide business owners with services and tools they can access on a tablet or smartphone so that they can manage their taxes from any location, at any time. ATO CIO Bill Gibson recently commented, “When a tax agent is doing something, they are accessing the ATO to get data. You take that principle wider, and the form factor doesn’t matter.”

High performers are also wading into social collaboration with the goals of capturing knowledge, fostering innovation and boosting productivity. All high performers have at least piloted social media implementations while most other organizations are still only at the proof-of-concept stage. The top organizations are taking greater advantage of their investments in collaboration technologies to serve customers, to be sure, but also to support employees in capturing and sharing knowledge, improving productivity and fostering innovation (see chart, page 6).

An especially important point in the context of supporting the workforce is that high performers’ employees have better access to the data they need to do their jobs well. More than 60 percent of these top performers say their employees have access to customer and product data; more than 40 percent say that access is actually provided in real time.

As with earlier editions, the 2013 Accenture High Performance IT research

finds that the gap between high performers and the rest remains wide. High performers are especially distinctive in recognizing the increasing use of digital technologies as a strategic imperative. They are earlier adopters of these tools and are making the leap from pilot programs into actual implementations much faster. Such solutions are leading to new levels of business impact: how customers are served, how commercial transactions take place, how information is accessed and managed, and how employees are supported in driving business outcomes.

These companies are also distinctive in the kind of leadership coming from the IT organization that leads to these new business outcomes. CIOs are not waiting for other executives' cues or for "perfect" solutions. Instead, they are leading the charge to digital through bold experimentation and outspoken advocacy. That's a mindset that will increasingly separate tomorrow's most successful organizations from the rest.

Outlook is published by Accenture.

The views and opinions in this article should not be viewed as professional advice with respect to your business.

The use herein of trademarks that may be owned by others is not an assertion of ownership of such trademarks by Accenture nor intended to imply an association between Accenture and the lawful owners of such trademarks.

For more information about Accenture, please visit www.accenture.com

About the author

Paul Daugherty is Accenture's chief technology officer; he also serves as senior managing director of the company's Technology Strategy and Innovation group. He is based in New York.
paul.r.daugherty@accenture.com

For further reading

"The digital disruptors: How banking got agile," *Outlook*, 2014, No.1