

## CIO 24/7 Podcast: Living Systems - A conversation with Paul Daugherty, Chief Technology Officer, Accenture

**Opening** [00:00:00] A quote from the client that I loved, is the client told me, you know Covid's given me a new business case for innovation because the business needs new things so fast that they're willing to try different things.

**Penelope** [00:00:13] Hi, everyone. It's Penelope Prett, Accenture's Chief Information Officer, and I'm happy you can join us today as I speak with Paul Daugherty, who is Accenture's Chief Technology Officer. Paul and I will be talking about how technology powers innovation and business agility. And in particular, I'm going to ask Paul to share his expertise about the qualities that high performing innovative companies possess as they lead the pack in customer centricity, profitability and agility. Paul, we're just thrilled to have you here today. Thank you for joining us.

**Paul** [00:00:44] Hey, Penelope, it's great to be with you. Looking forward to it.

**Penelope** [00:00:47] So let me start by just asking, how are you doing? Right. What's it been like to not only be the CTO of a major enterprise, but also a husband and father of four during these crazy past six months with the Covid situation?

**Paul** [00:01:00] You know, it's been an unbelievable time. Lots of lows, lots of highs. Unusual new experiences that this kind of situation brings out. So, yeah, you've mentioned I do have four children and, you know, they're adult aged now, but they've been they've been back home for a while at different points, you know, due to the nature of their jobs and what was happening. And, you know, we had several outings with the family and some family time. And I have one son who's a vegan, so what have my new Covid behaviors as I eat a lot more vegan food. So that's, that's one of the interesting things that's happened. But, you know, the family, my family is all safe and, you know, the part is really, I think for all of us has been around, you know, first of all, our own safety and well-being that of our families and then looking out for our people at Accenture. You know, I was really gratified with how our whole Accenture team responded and reacted in the early stages of the Covid crisis so that, you know, in technology we have about two hundred and eighty thousand people on my team across Accenture technology. And the amazing efforts to make sure everybody was safe, to move people to work from home, to accommodate the new requirements, the technology, the difficult living circumstances, deal with additional personal help that people needed was really inspiring and amazing. And I'm really just thankful and impressed by all the efforts that we did to get to 99 percent of our technology organization working from home with amazing support from you, Penelope, to make that all happen. The contribute to the digital foundation and the technology that we have that enabled us to really to do, to do that in such a quick fashion.

**Penelope** [00:02:31] I appreciate that, Paul. And it's funny because in talking to a fellow CIO the other day, it occurred to me that this is my normal. When I took the chair, this was just starting. So my whole life has been just exposure to this, and it'll be interesting to see exactly what we're capable of when we come out the other side and have all that capacity to win. So talking about coming out the other side and systems resilience and things of that sort, according to some research that Accenture conducted before the pandemic only a very small minority of companies, only the top ten percent had actually cracked the code on systems resilience. And were in a good position going into the Covid crisis. For the rest, the gap has become distinctly more acute over the last six months. So in your experience,

what are the most important things that companies, including Accenture, did pre-crisis that helped them adapt and made them resilient under the new circumstances?

**Paul** [00:03:24] You know, I think it's really important, you framed it well there talking about that the top ten percent, and we actually, in in Davos, we just it was just January, which seemed like forever ago, but as before Covid, we talked about some new findings and new research that we had. We talked about that top ten percent. The top ten percent digital were already outperforming the rest of the companies by two to three times. And that was something we talked about in Davos. There was this digital achievement gap where those that are in the top ten percent, those that were doing it well, you know, were setting themselves apart through this digital achievement gap. And then what happened with Covid is the time it was out, and everybody realized what the water was out there, realized how far behind they really were, what they lacked, the foundation. And those that had the stronger digital foundation were able to respond better in the crisis. One company we worked with that had, they had a pilot of curbside delivery, at a small scale. They were able to scale that up and dramatically improve their business as a result. You know, the companies that had the strong digital, you know, virtual, digital workplace, technology in place were able to get their workforce working virtually. A company we worked with that we were working with them, augmented reality for factory inspections and a pilot in our R&D mode scaled it to production immediately. And so those that had a start in digital, in technology, were able to really accelerate through Covid. And so this digital achievement gap has been widened by Covid. That's what, you know, what we're trying to address through things like Living Systems and the different initiatives we have. Which is looking at how do you now close that gap? If you're, if you are a leader, how do you accelerate ahead? If you're not a leader, how do you accelerate and close that gap? But Living Systems talk about is how do you really understand the growth strategy that you need to follow and what technology is going to underpin that? How do you look at the legacy systems you have that consume an awful lot of the investment that you need and reduce that, and minimize that, through lower cost techniques by automation and other ways? And how do you then move forward and accelerate that new modern platform that you need to develop, to accelerate the business benefit business applications that also accelerate the development of the right talent? And that's kind of the general thing we're seeing, and as we talk about Living Systems, that's the type of path forward that we're talking to companies about.

**Penelope** [00:05:38] And all of it really resonates. Paul. In particular for us, there were two things that were in place before the pandemic hit that I think were transformational in us being able to respond very quickly, and then to lead the market and teach other people how to respond quickly, too. First, the fact that we already had a very strong cloud posture. Ninety five percent in the public cloud and we were operating with both resiliency and agility. So within days we were able to shift operations, move people out, and set things up, because the foundational element of operating in the cloud was there. That was our advantage. And the second thing that was really transformational at that point in time is the concept of advanced collaboration. Collaboration is still a very new space in the market. And as I talk with other CIOs they're still putting together their strategy and what they'd like to do and one core tenet of our collaboration strategy at Accenture is the use of Microsoft Teams. Because we are so far down the agenda with Microsoft Teams and have rolled in so many capabilities to help our ideation and our work execution and our workflow, we're able to operate a very high level of productivity from any player in the world at any time with anybody. And when you have a workforce like ours composed of five hundred thousand plus people every hour of productivity you can return to the model means a great deal. So as we think about that concept, Paul, can you talk a little bit about what you see

companies that you talk to doing to create options for their spin? Because this does require investment. Has the cloud helped them take those first steps into the investment arena in a digital world?

**Paul** [00:07:12] I think it really has. I think cloud is coming into the spotlight as the enabler of this massive change that companies need to make. And you're a great example, Penelope, already ninety five percent in the cloud with what we're doing at Accenture, the companies that are in the cloud are finding tremendous advantages for big in the cloud and those that are not aren't really accelerating. So we've talked about this phenomenon that companies on average are about twenty percent in the cloud right now. And what would have happened is over the next decade, they would have moved to mostly in the cloud. But what's now happening is they need to do it half the time. They don't have a decade. They have a handful of years. So the next several years, we're gonna go from twenty percent in the cloud to eighty percent the cloud on average at most companies. And this is the way a lot of companies are framing their approach. And it ties to what I talked about earlier, which is accelerating this need to drive the right digital capability to the business. And the cloud is the platform you need to do it. I think that's what they're finding. It gives you the cost advantages. It gives you some flexibility, but more importantly, it gives you innovation. You know, all the capabilities that you get in the cloud, the vast array of software and data capabilities and everything that's available to innovation capabilities are huge. And it's also, it gives you that modern platform. And if you're looking to hire talent today, you're going to, you're going to find people that want to work on the, in the cloud, not cloud platforms. So for all those reasons, the cloud is becoming the real accelerator. Companies generally are looking to how do they accelerate that journey? How do they integrate the way that they, you know they move their applications, their data, retool their talent and equip the business with better capability and how they lump all that together as they make this rapid journey to the cloud.

**Penelope** [00:08:50] And when you think about us in particular, Paul, do you think our priorities have changed? What are you thinking about tackling next for our future and living systems in your role as CTO?

**Paul** [00:08:59] Start with cloud, which I just keep that thread going. I think there's a lot more with cloud. I think that's going to be the dominant focus for most companies in the next in the next several years. That's why we formed Accenture Cloud First and announced our three billion dollar investment in Accenture Cloud First. That was three billion that that kind of number doesn't come out too often from Accenture or any other company in our industry. In fact, I think the biggest investment that's ever been announced that our industry. Focused on the capabilities to accelerate our clients, move to the cloud, that's going to be a big focus. Another focus is going to be automation and I've talked about hyper automation. Part of the cloud journey is you need to automate the cloud journey. But looking at automation through everything from robotic process automation, to smarter analytics, to true artificial intelligence that's on the agenda of companies. Companies are already doing that at some scale, but that's really moving forward at scale, too. As companies look at, you know, how do you how do more rapidly reconfigure supply chain because of disruptions in a Covid-like environment and then some of the uncertainties we have geopolitically. A perfect problem, you know, for more intelligence and more insight that you can get through, you know kind of hyper-automation, the artificial intelligence as such, built into systems. And I think the other thing is just to continue virtualization of everything we're doing. I attended a meeting with my leadership team recently and we all attended via Oculus. We, a group of thirty of us. We had a one-hour meeting and we started in France, then we went to Switzerland, that we went to Los

Angeles, and toured some other place in the world. We were touring real facilities, real buildings, very immersive environments, learning from and talking to each other. And it was an amazing experience. And I think that's an example, not saying we'll all be using virtual reality tomorrow, but there's tremendous potential to use innovation. A quote from a client that I loved, this is a client told me the Covid has given me a new business case for innovation because the business needs new things so fast that they're willing to try different things. Things that might not have been cost effective can become cost effective. I encourage that kind of mindset of experimentation, not losing the speed with which you can drive these new solutions to market.

**Penelope** [00:11:11] Getting very practical on that front, you raised two things there, right? One is the concept of, you know, business case around doing these types of activities. And the other thing you mentioned was we're making a three billion dollar B investment. Right? And that kind of size investment tends to make a lot of companies nervous. And right now, it can be difficult to talk about these foundational capabilities and try to lay ROI around it, or any kind of predictable timeline, because what they are is foundational to everything else. And companies have to get comfortable with that concept. But talking practically about money. One big question that I get from other CIOs is cost around this. What is the practical cost? How do I reduce costs? How do I preserve cash that I free up capital to fund these kinds of strategic initiatives? When money may be at a premium to drive growth, right? So what do you recommend when you talk to CIOs like me?

**Paul** [00:12:04] Yeah, it's a it's a difficult problem. And there's no, there's not necessarily a silver bullet for it, but they kind of approach that we find that works is look at the current costs carefully and look at what you really need to spend and what you don't and how you can reduce those costs substantially using different techniques. That's the first step. Second step is look at how you can lay that foundation out for the future. But it's hard to just get a ROI in a business case at a foundation so you kind of need to look at how to get the early wins with it. And how do you do it the way where you can kind of build a business value over time. And that's why we're seeing an increasing number of companies look at this in a more bundled fashion. How do I, let's look at this at an end to end basis, how I can move from where I am now to a, you know, a cloud enabled or digitally enabled enterprise. Let's put all of it together because it requires you to tackle multiple elements of it. You need to link it to the growth objectives or the broader objectives that the company has so you can tie into the other broader objectives. It's hard to make the case just on, you know, on the IT side of it alone. And the people need to be part of it as well, as I talked about earlier, in having the people make the journey with you is critical to it and it investing in the people along the way, and developing the skills along the way that you need to do it. So those are the approaches that we're working on, Penelope, as we talk to our clients.

**Penelope** [00:13:28] And as I talked to other CIOs, I always try to remind them that perfection is the enemy of speed and progress. And this is not an area where you can overthink and analyze and be paralyzed. You have to move now. So find a small, manageable chunk of risk that you can discuss reasonably with your business partners and your corporation is willing to take on and go, because in this playing field, success builds on success, builds on success. And once you have the momentum, there's almost nothing that you can't do. Paul, I really appreciate you speaking with us today. I have to say, pre-Covid, we knew that we were at an inflection point with our architecture in Accenture and moving forward, it's even more crystal clear that we've got to re-platform form the rest of our legacy applications, as do our customers, to totally cloud native solutions. We're ninety five percent in the cloud, but we know there's more to do on that journey to live in a truly cloud native mindset. It's a complete cultural shift. And I know for

CIOs that I speak with that making those types of changes in small, manageable increments that they can self-fund and sell block by block to their companies, that path resonates with them as they move forward. So, thanks for chatting with us today. It's always a pleasure to speak with you and hear the latest from you.

**Paul** [00:14:42] It's been great, Penelope. Thanks.

**Closing** [00:14:45] Thank you for joining today's podcast. Be sure to subscribe to the Accenture CIO podcast series on Apple podcasts for Spotify. Find the full CIO 24/7 podcast series and additional ways to subscribe at [Accenture.com slash CIO podcast](https://www.accenture.com/cio-podcast).