Mind the Gap
High-Performance IT in Financial Services

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As businesses work to emerge from the downturn, CIOs are recalibrating their efforts to drive more enterprise value from IT. Accenture research shows that 67 percent of CIOs want to position IT as a strategic asset, thereby creating differentiated business capabilities for their organizations.

In the financial services industry, the business agenda has firmly moved from survival and cost containment to growth, as firms look to rebuild their earnings models. As well as supporting this new agenda, CIOs from these industries also must adapt their IT systems rapidly to respond to the changing habits of consumers and the increasing and urgent regulatory changes that were implemented to stabilize the financial system and protect consumers.

This three-pronged threat – supporting a multichannel growth agenda while simultaneously managing costs and responding to regulatory change – is enough to test even the savviest CIO.

Can financial services companies step up to the challenge? Results from Accenture’s third global IT performance research study indicate that some IT organizations across industries have managed to raise their games in the face of similarly daunting obstacles. These high performing IT organizations have overcome cost-cutting mandates and demonstrated excellence in three key areas – execution, agility and innovation – which enable them not only to manage IT like a business, but to run IT for the business and with the business. CIOs at these organizations are engaged in their company’s business strategies and are able to truly map out how IT supports those strategies.

How do financial services firms match up against these high performing IT organizations? Making up over a quarter of the participants in our 2010 research, they generally outperformed their peers from other sectors but lagged behind high performers in several key areas. For example:

- They are behind high performers in web-enabling their interactions with customers and suppliers (two times more high performers’ suppliers interactions are web-enabled), and they are slightly behind other industries in mobile-enabling customer, partner and employee transactions;
- They spend 57% annually on developing and implementing applications, in other words 18% more than cross industry organizations, but less than high performers who spend 62% of their budget;
- They are ahead of other organizations in the realization of benefits from integrating their business processes, information and IT systems, but behind high performers as it relates to providing executives with real-time dashboards and visibility into key processes.

These financial services companies are focused on a few key business objectives, in particular the need to increase customer satisfaction. Channel is an important focus in the financial services technology agenda at present, being key to both better customer management and to the next wave of cost reduction, but many organizations are starting from a long way back: recent Accenture research found that only 37 percent of insurers believe their current distribution model allows them to perform at a higher level than their competitors, and in a 2008 Accenture global survey, 42% of consumers said they had switched banks because of poor service.

Accenture’s High Performance IT research shows that in order to deliver on these customer-centric objectives, financial services institutions are shifting significantly from being followers of innovation to driving innovation throughout the business. More than half (53%) of respondents from financial services firms said they expect to be an early adopter of innovative technologies – compared with 38% of the financial services executives who had similar goals in our 2008 survey.

The CIOs we worked with on the study expect to play a key role in driving ideas into the business, leveraging core IT capabilities across the three areas of execution, agility and innovation.

Execution

While the economic downturn forced many IT organizations to cut spending in proportion to the reduced revenues of the business, high performers from our research have shown resiliency in securing new investments. Their success can be attributed in large part to their excellence in IT governance and their ability to re-invest cost savings and efficiency improvements in IT in order to add value.

These patterns are apparent among financial services respondents, which have been able to maintain a focus on investing while managing costs more efficiently. IT staff at these companies are spending more than two-thirds (69%) of their time enhancing, building, integrating, testing and deploying new IT infrastructure – comparable to the cross-industry high performers. This is a noted step away from the “keep the lights on” mentality of many organizations that focus more on running and fixing existing systems.

Another key focus for these firms is information management, where investments are paying off for the slight majority of financial services organizations. They outperform their cross-industry peers when it comes to realizing value from investments in business analytics (56% vs. 40%), business intelligence (55% vs. 40%), portals (53% vs. 38%), data management (46% vs. 40%), and content management (42% vs. 29%).

As with IT organizations in other industries, however, few financial services CIOs are comfortable that they have the real-time predictive capabilities they need to drive competitive advantage.
Agility

High performers in our research are relentlessly focused on improving their application architectures. Financial services companies strive to do so but are weighed down more heavily by legacy systems. Nearly one-quarter of financial services companies (22%) admitted that they still struggle with modernizing their legacy applications, and 47% said that while they have clear legacy infrastructure retirement plans, they have not been able to fully execute those plans.

Many CIOs at financial services companies are looking to the cloud for help. Almost half (49%) of their CIOs said they are still leveraging mostly internal computing resources but are testing external dynamically provisioned computing services (compared with 38% of cross-industry respondents). And while only 2% of financial services respondents said they are fully committed to leveraging external cloud services today, 29% said they expect to do so in the future based on business needs (vs. 25% of all respondents).

These financial services CIOs see the cloud as a way to improve infrastructure cost and agility in the short term, while realizing other potential benefits over the next few years.

Innovation

CIOs at financial services firms believe IT should have a critical role in the innovation process; 23% of these respondents said IT is driving the innovation process for their business, compared with 9% of all respondents. More than half of financial services respondents (54%) said their goal is for IT to play a critical role in innovation.

Controlling the costs of innovation can be difficult, however. Forty-one percent of financial services CIOs said they have a hard time managing the trade-off between innovation with emerging architecture concepts and the resulting short-term operational cost increases. Fewer than half (48%) said they adequately control the costs of innovation today – compared with 69% of high performers.

At many organizations, innovation is being delivered through two key channels: mobile and the Internet. These channels support both the cost agenda (many IT costs are still dedicated to physical channels) and the customer agenda.

Financial services companies are improving their productivity and efficiency through self-service, Web-enabled interactions. Nearly half (47%) of employee interactions and 31% of customer interactions have been Web-enabled, trailing high performers only slightly.

Providers from these industries are further behind in their support for mobile platforms. Only 10% of their employee interactions can be performed on mobile devices – half the rate of the high performers in our research. Mobile support is also in the early stages for customer and supplier interactions, though those rates are comparable to high performers.

Two-thirds of financial services CIOs said they expect to better utilize sophisticated and integrated collaboration technologies (such as interactive portals, instant messaging or video) in the future. These CIOs see three significant areas of opportunity for enterprise social networks: improving employee engagement, fostering innovation, and locating internal experts and talent more quickly.

In Summary:

Don't Wait to Be Asked

Our research shows that the gap between high performers and other IT organizations is widening. CIOs in the financial services industry have a choice to make: They can accept IT's longstanding role as a caretaker for the business, or they can begin taking steps to improve the agility, innovation and execution of their IT organizations in order to establish a stronger partnership with the business. Financial services CIOs are stepping up to drive the innovation agenda with the business: the high performers will be those who succeed and who then execute flawlessly.
The Path to High Performance

Business and IT leaders should continually be challenging the status quo by evaluating alternative computing models and emerging technologies as a means to reduce costs, improve employee efficiency and increase customer satisfaction. But investing in new technologies alone will not make an organization a high performer.

Although there is no universal formula for becoming a high performer, there is a path that organizations can follow, regardless of their current state.

**IT Execution**
CIOs who want to dramatically improve the performance of the IT function first and foremost require a clear understanding of the current state, comprising an inventory of current processes, metrics, strengths and, most importantly, weaknesses.

Compare this baseline to how you would create a high performing IT organization from scratch: What set of critical disciplines (or practices) would you establish?

**IT Agility**
Once you are confident that you have a solid baseline of disciplines in your foundational areas, the next logical move is to flex your IT organization and technology at all layers of infrastructure, application and processes. The IT organization must be seen not only as a strategic partner; it also must mold to the needs of the business.

**IT Innovation**
Over time, as IT demonstrates its capabilities as a strategic asset for competitive advantage and differentiated business capabilities, an innovation process and culture become woven into the way IT works.

See the full High Performance IT report for more on this path to high performance.

**For more information**
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