The Future of IT Sourcing

Building the new IT organization to drive business growth

by Bhaskar Ghosh

#strategicsourcing
In a digital world, the focus of IT is shifting from back-end operations to driving business growth. To support this change, new sourcing strategies are urgently needed. These should have three priority objectives: adopt a more liquid workforce, migrate to as-a-service commercial models and implement the right mix of local and global sourcing. This short point of view provides an introduction to new sourcing strategies.
Why is it time for new sourcing models?

Traditionally, the primary role of IT has been to support business operations: from inventory, to payroll to budget. That is still a vital function. But in a digital marketplace where technology is the key to business growth, the remit of and expectations for the IT organization are much wider.¹

Rapid development cycles and fast-paced innovation demand dynamic approaches to sourcing IT talent. Agility, speed and scalability are all must-have qualities, meaning that mobility, agile delivery and cloud-based business models are coming to the forefront. Budgets are shifting from back-end IT work to enabling front-end digital customer experiences. And because customer expectations now have an immediate impact on the business’s bottom-line, the bar is being reset for continuous delivery.

All these factors contribute to a very different role for IT. And the value levers for IT are shifting in every industry sector. Globalization and industrialization still matter, of course. But increasingly we are seeing automation, artificial intelligence and innovation making a huge impact.²

Adding to the complexity facing CIOs, the technology environments they manage are more heterogeneous than ever before. Companies may still have a single ERP, but they also have multiple additional platforms and technologies intermeshed in more and more combinations. As well as introducing a whole new range of concerns, including security and speed to market, this calls for a new sourcing mindset. That is borne out by research. We know from Gartner that 70 percent of CIOs plan to change their sourcing mix over the next two to three years.³ And many companies (not just software companies) now have platform-based business models that must be managed more like software products—requiring new skills they may not currently possess.
As CIOs reassess their IT organization’s role within this new environment, three priorities should be top of mind:

Creating the new IT organization: three priorities for strategic sourcing
1. Adopt a more liquid workforce

Constant change is a way of life today. Businesses need their workforce to be change ready. As things stand, a skills gap is preventing some companies from evolving as fast as they need to. Technology change is outpacing the ability of the labor market to provide the digital skills that will drive new strategies. To plug that gap, IT organizations need to introduce entirely new roles that do not exist today. We explored some of these in our Future of Applications report. For example, “platform directors” will help define and build the software platforms needed to propel business strategy, and “intelligence architects” will teach intelligent applications to interpret data, apply logic and make decisions.

2. Migrate to as-a-service commercial models

For the last decade or so, companies have looked to cloud computing to bring flexibility to their technology infrastructures. Now crowdsourcing and intelligent automation are bringing a similar level of variability to IT sourcing. These new approaches mean traditional FTE-based commercial models will soon become obsolete. IT organizations will need new everything-as-a-service commercial models that measure the value of work done rather than the labor required to do the work. Through outcome-driven agreements, we will see providers and companies partnering together to drive innovation and achieve targeted results (rather than clients specifying upfront the mix of materials/headcount/skills they require). Companies that move now to adopt outcome-driven models will no longer be limited to what can be achieved with their current labor pool. This will place them ahead of the curve in realizing IT sourcing flexibility, and therefore business flexibility.

Accenture has been using output-based models in testing for years. Now we are also using them to frame the management and monitoring of social media for some clients, with commercial structures linked to advertising-driven sales growth. IT workers are in a better position than ever before to tune technology systems to meet business, not just IT, performance objectives. As a result, companies will come to expect their IT service providers to influence outcomes in areas such as supply chain performance, regulatory compliance and online commerce—including revenue uplift and customer conversion rates—and will compensate their providers accordingly.

Crowdsourcing is another essential component of the liquid workforce. Although it is not expected to replace traditional IT delivery provided through outsourcing or in-house resources, it will fill digital gaps in organizations and enable near instant scalability (for rolling out global changes to applications or enabling testing on multiple devices against the clock). Forrester Research expects that by 2018, crowdsourcing will constitute 20 percent of all enterprise application development sourcing. That is borne out by predictions (reported in the Accenture Technology Vision 2016) that, in the U.S. alone, 43 percent of the workforce (60 million people) will be freelance by 2020. That is roughly four times the number in 2015 (15.5 million).
3. **Implement the right local/global sourcing mix**

Shorter cycle times and increased interaction with the business point to the need for a new workforce dynamic. Businesses will increasingly seek to bring in platform directors and intelligence architects for key projects. And when they do, they will expect proximity.

It is a big change from the approaches that have become embedded in companies after 10 to 15 years of global sourcing. The key from now on? A more balanced mix of local and global resources, with certain technology skills located in close physical proximity to the business leads.

Reflecting this, some of the fastest growing nodes in the Accenture Global Delivery Network are in places like Nashville, Monterrey and Recife—closer in time zone to clients in the Americas. India and the Philippines will remain important hubs, but the distribution of talent will be more global from now on. It is a trend that has also been the spur for launching the new Accenture Liquid Studio earlier this year—a center purpose-built for rapid application development and delivery closer to clients.
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**Creating the new IT organization:**

**Three priorities for strategic sourcing**

Rotating to the new: realizing the benefits of future-focused sourcing

New sourcing strategies built on the three pillars outlined above will position companies to become highly-adaptable and change-ready organizations. Implementing these new strategies will not happen overnight, however. At a grass-roots level, broad-based behavioral change will be needed to foster and sustain a digital learning culture. We call this “rotating to the new”—driving huge internal agendas for training people continuously in new technologies. Hitting the optimal in-house/service provider balance is another priority. And so is the development of governance structures to keep CIOs in control of their technology ecosystems.

Digital technologies create huge opportunities for organizations in all sectors. But the benefits will only be realized by companies that can change to take advantage of this new world. Managing the journey to future-focused sourcing is key to their success.
1. According to IDC, by 2018, 35 percent of IT resources will be spent on supporting the creation of new digital revenue streams.

2. Accenture Technology Vision 2016 Research shows 85 percent of executives are using automation to improve their business processes.


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