MULTI-SPEED IT SOURCING
FOR HIGH-SPEED VALUE

STEFANO SPERIMBORGO | NICHOLAS BAYLEY | MATISSE VAN MEURS
INSOURCING VS. OUTSOURCING IS DEAD. IT’S TIME FOR A MULTI-SPEED SOURCING STRATEGY

The competitive arena in which companies now operate continues to create new complexities and business challenges for CIOs. By exploiting the power of platforms and ecosystems, digital is driving a major shift in how products and services are designed, developed and delivered.
New, multi-speed operating models are required to enable balanced management of an organization’s legacy, evolving and digital business areas. Today’s technologies require new IT skills, while a continuous focus on efficiency intensifies the need for a new approach to IT sourcing (see Figure 1) to contribute to technology-enabled business value.

The classic, in-or-out approach to IT sourcing, built around long-term deals with traditional or established suppliers, has too long a lifespan to enable CIOs to leverage disruptive digital technologies at speed, tap into innovation, and use as-a-service-enabled models, whenever and wherever they are needed. It simply doesn’t provide the agility to support a multi-speed business.

But a multi-speed IT sourcing strategy, aligned with the demands of the multi-speed organization, shifts the focus from a pure vendor management and consolidation perspective to a more comprehensive one, coherent with the organization’s strategic intent.

CIOs accustomed to the old ways of sourcing may struggle to adapt to a multi-speed world. Yet by hesitating they are putting the organization’s competitiveness at risk. The days when a traditional sourcing strategy was sufficient to satisfy the requirements of the business are numbered.

Figure 1: Four key drivers require a new approach to companies’ IT sourcing strategy
Multi-speed IT sourcing enables CIOs to accelerate improvements in performance while controlling costs and provides access to leading-edge but scarce skills. Moreover, multi-speed sourcing helps organizations seize evolving opportunities in an increasingly digital marketplace.
ONE SIZE FITS ALL
IS A GOOD WAY TO FAIL

Traditionally, CIOs have met the IT requirements of the business either by building the capabilities they need, or by buying them: a one-size-fits-all approach that made perfect sense when IT’s principal role was day-to-day, steady-state systems maintenance.

Today however, the demands on IT are multiple and escalating. Back-end business operations support remains a vital function. But in a digital marketplace, where new technologies are the key to growth, a nimble IT sourcing strategy is critical to tackling digital challenges.

IT departments must have the speed and scalability to enable continually improving front-end digital customer experiences. With product cycle times rapidly shrinking, innovation that shortens time to market is increasingly essential—and IT must facilitate such innovation. Furthermore, since 40 percent of application services are now automated,\(^1\) the value to be derived from labor arbitrage is rapidly diminishing and IT sourcing protocols need to be reinvented.

Making the transition to a new, hybrid, multi-speed IT sourcing strategy is an evolutionary process (see Figure 2).

Figure 2: Transition to the new

<table>
<thead>
<tr>
<th>CLASSIC IT SOURCING</th>
<th>MULTI-SPEED IT SOURCING</th>
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<tbody>
<tr>
<td>• Focus on short-term price per man-days</td>
<td>• Focus on long-term Total Cost of Ownership</td>
</tr>
<tr>
<td>• One size fits all</td>
<td>• Differentiated according to strategic drivers</td>
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<td>• On-premise</td>
<td>• XaaS powered by the ecosystem</td>
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<td>• In versus out</td>
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<td>• Access to scale economies</td>
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<td>• Application development a major challenge</td>
<td>• Platform integration a major challenge</td>
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<tr>
<td>• Data and master data management a secondary issue</td>
<td>• Data and master data management a primary theme</td>
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The journey will take different forms for different organizations—depending on specific business challenges. Some will see sourcing largely as an opportunity to drive down cost. Others will want to tap into new technologies. Still others will seek to acquire new skills. In a multi-speed world, however, all are critical to controlling IT costs and funding investment in the new IT capabilities that drive innovation.

Half of business executives already believe that sourcing IT capabilities from a broad digital ecosystem of customers, partners, developers and other stakeholders will boost their speed and agility in developing relevant customer solutions.² What’s more, such a hybrid sourcing strategy can also result in significant savings. **Redirecting 20 percent of traditional sourcing spend to digital innovation could deliver IT and Procurement cost savings of more than 30 percent as the supplier landscape is rationalized.³**

Consider, specifically, the case of a global chemicals company that has reduced the proportion of spend on business-as-usual IT sourcing from 80 percent to 60 percent by setting up a multi-vendor sourcing organization across infrastructure and applications. Consider too that one financial services player with a similar strategy has identified annual savings of up to half of current run costs, and is now aligning its operating model to reflect the changes.⁴

With investment in digital technologies that enable a more agile, multi-speed sourcing strategy helping to fuel the $2.3 trillion in worldwide IT spend,⁵ the potential for business value creation is huge.
A RAPID
PLUG AND PLAY SOURCING CAPABILITY IS MANDATORY

In a highly competitive environment, traditional IT sourcing strategies require a robust new mix of plug and play capabilities that bolster sourcing agility: as-a-service commercial models whose service level agreements (SLAs) measure the value of work done, rather than the labor required to do the work.

Crowdsourcing, which is expected to soon account for 20 percent of enterprise application development sourcing, is leveraged as part of the multi-speed sourcing mix. The new mix also includes collaboration with a platform-based ecosystem of customers, digital startups, Fintech providers and other parties (the more unconventional the better). Regardless of whether an organization owns a platform or plugs into someone else’s, the ecosystem is the key to speed in selecting, obtaining, integrating and changing sourcing capabilities. Utilizing the right combination of both traditional and more innovative sourcing options is, moreover, an important value lever. A multi-speed IT sourcing strategy aims to provide a tailored approach for each main area of IT, defining different sourcing options according to the strategic importance of a specific IT service (see Figure 3).
Just 20 percent of high performers in IT—defined as those that outperform on innovation, agility and execution—have a comprehensive sourcing strategy, aligning key partners with business priorities. But more and more organizations from a wide range of industries—including utilities, oil and gas, and life sciences among them—are seeking to enhance their core IT sourcing agility by simplifying and streamlining their sourcing processes, while leveraging technologies and partnerships that help ensure the swift selection, integration and continual renewal of value-driving capabilities.
MULTI-SPEED SOURCING REQUIRES RUNNING AT MULTI-SPEED

A successful multi-speed IT sourcing strategy needs to align with a multi-speed, services-based, and actively governed operating model that delivers automation and integration. It also requires new talent and skill sets to ensure responsiveness to changing, as-a-service sourcing engagements. And it must, at the same time, be flexible enough to handle the different needs and features of the legacy, evolving and digital business aspects of the organization (see Figure 4).

The role of the IT workforce is plainly critical. As crowdsourcing and intelligent automation gather momentum, IT organizations will no longer be limited to what can be achieved by their current workforce. They will look outside for the multi-speed skills they need.

FIGURE 4: Multi-speed operating models drive sourcing agility

EMERGING BUSINESS NEEDS

- Respond to rapidly changing customer needs
- Disrupt and defend against disruptors
- Engage customers through multiple channels

- Manage costs and drive efficiency
- Reinvigorate flagging brands and services
- Maintain historically successful offerings

DIGITAL BUSINESS

- Trial and error—fail fast
- Rapid time to market
- Continuous development
  - Innovation
- More elastic governance

EVOLVING BUSINESS

- Maturing capabilities
- Shift from innovation to operational efficiency
- Establishing a level of repeatability of delivery

- Manage risks by controlled changes
- Provide operational efficiency
- Manage costs and seek solid business cases
- Robust performance management
  - Defined compliance

LEGACY BUSINESS
These will include data scientists to manage and analyze big data insights; designers who can optimize the front-end customer experience; machine learning engineers who can leverage artificial intelligence (AI) skills; API support engineers to enable the architecture that links to cloud services; and, of course, security engineers who can build customer trust by helping ensure the cyber security of IT networks.

More than 80 percent of CIOs expect digital to have a major impact on their sourcing strategy. In the drive for a more fluid, digital workforce, multi-speed organizations will increasingly turn to on-demand labor platforms and online work management solutions for IT talent. In fact, 81 percent of executives indicate the skills required for the IT workforce and how talent is sourced will continue to dramatically shift for the foreseeable future. Significantly, IT high performers are more than twice as likely to allow employees to self-manage, leveraging their own smartphones and tablets, and accessing their own mobile apps.

In a digital world, as the pace of technology change accelerates, the need for professionals who are comfortable with fluidity and change can only increase.
MAKING MULTI-SPEED SOURCING HAPPEN

Four actions define the foundation for a multi-speed IT sourcing strategy:

1. **DESIGN A PLAN.**
   Identify and understand changes to the overall IT model, and what your new IT will look like. Design a plan for your new IT while defining the pace of change across the IT portfolio mix.

2. **CREATE A STEP CHANGE IN SUPPLIER MANAGEMENT.**
   Are you paying for your IT services according to the value you need? Check the ability of incumbent providers to align to the new capabilities and redefine your list of leading vendors.

3. **LEVERAGE THE EXTENDED ECOSYSTEM OFFERING.**
   Have you considered startups in particular as a source of innovation? Define your approach to integrating and balancing XaaS/cloud-enabled services. Putting into place an ecosystem security strategy, supported by an integrated and automated architecture, will help to ensure robust governance.

4. **WIN THE WAR FOR TALENT.**
   Identify the new IT skills you require to help ensure rapid prototyping and flexible IT work environments. Then assess your current IT sourcing mix and talent procurement approach. Look for new partners or those who are rapidly changing their game who can help you leapfrog competitors in this area.
A fluid IT sourcing framework that optimizes all sourcing areas, leverages flexible investment and portfolio management to promote innovation, and facilitates an agile and responsive corporate culture and workforce as market requirements change will all be key to successful multi-speed IT sourcing. By starting to develop such frameworks, leading players are beginning to satisfy the expectations of a multi-speed business to derive real value.

**The time to join them is now.**
JOIN THE CONVERSATION

@AccentureStrat

www.linkedin.com/company/accenture-strategy

CONTACT THE AUTHORS

Stefano Sperimborgo
stefano.sperimborgo@accenture.com
Milan, Italy

Nicholas Bayley
nicholas.p.bayley@accenture.com
Toronto, Canada

Matisse van Meurs
matisse.meurs.van@accenture.com
Amsterdam, Netherlands
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