High Performance IT Insights

IT Operating Model Keeps Things Nimble: Creating a Global IT Operating Model that Fosters Agility and Innovation
Managing an increasingly complex, “shared services” global operating model may require CIOs to rethink the core elements of their IT organization. Developing an agile approach to architecture, sourcing, workforce skills, and governance will enable technology leaders to position IT as a strategic partner that helps drive business growth.

The Issue Facing CIOs

Many IT organizations have evolved from discrete, project-oriented technology providers to multi-sourced, multi-location services businesses. IT operations are increasingly characterized by a smaller but more dispersed workforce, complemented by multiple sourcing partners that deliver a variety of capabilities. For the most part CIOs have managed this evolution as efficiently as possible.

However, as many businesses centralize governance and control to support global operations, the increased organizational complexity has placed new demands on how CIOs manage and run the IT function. Increasingly, IT organizations are expected to be flexible, responsive and innovative in supporting the business growth agenda—all while continuing to aggressively manage costs. CIOs must balance these sometimes conflicting agendas in the context of disruptive technology trends such as cloud computing, mobility and the growing desire of employees to bring their own technology into the enterprise. Each of these trends pushes IT organizations further away from the historic model of an integrated, in-house line function.

Unfortunately, the very sourcing models that helped CIOs improve IT’s efficiency and cost structure may now be hampering the flexibility that many IT organizations need to deliver cloud-based and other emerging services to the business. The ability to strategically use sourcing relationships to provide value to the business is one of the key differentiators between high-performance businesses and those that are simply trying to keep up. For example, Accenture High Performance IT research shows that high-performance companies provide IT services via a standard, services-based catalog at twice the rate of other IT organizations. In addition, almost half of high performers from Accenture’s 2010 High Performance IT research said they use advanced virtualization technologies and dynamic provisioning, compared to just 3 percent of other IT organizations.1

During the downturn, many organizations emphasized running IT as cost-effectively as possible. Now, as businesses revisit investments in growth initiatives, attention turns to agility and innovation.

How can IT organizations achieve excellence in these areas? Managing an increasingly complex, global “shared services” model—characterized by the integration of historically independent business functions such as finance, procurement and marketing—requires a rethinking of everything from core IT architecture to IT skills. Fortunately, CIOs have many tools to help them improve the IT organization’s flexibility and effectively support the business growth agenda.

Four Steps to Improve the Global IT Operating Model

Accenture High Performance IT research shows that 67 percent of CIOs want to position IT as a strategic asset that will help the business grow through the use of innovative technology, products or processes. Unfortunately, many IT operating models that were built around cost management during the downturn cannot sufficiently support the new growth-oriented agenda. Adding to the challenge, uncertainty about future growth is forcing many businesses to hedge their bets about where and how to invest, with the expectation that they will have to respond rapidly to unanticipated market or customer shifts.

It is this market uncertainty that convinced a multinational energy company to adopt a new IT organization model that can respond more quickly to varying scenarios—and, in some cases, lead business innovation instead of following. As the energy company is discovering, increasing an IT organization’s agility while simultaneously balancing efficiency with the need to innovate requires changes to four key organizational elements.

First, the IT architecture must evolve to support new and more diverse business models and processes. Second, the IT sourcing model must incorporate an increasing array of in-house and third-party solutions as businesses embrace the cloud and other emerging technologies. Third, the IT workforce must adopt new skills—ranging from technical expertise to relationship building—to support the new model. Finally, CIOs will need disciplined governance policies to establish priorities for innovation and manage both internal and external stakeholders in the new IT operating model.

"Mind the Gap: Insights from Accenture's third global IT performance research," 2010, Accenture
1. Evolving the IT Architecture

Today’s IT architecture is made up of an increasingly diverse mix of standardized software and service components, from open-source platforms to cloud services, many of which must be integrated with legacy systems. Supporting this heterogeneous footprint is not easy; Accenture High Performance IT research found that one out of five CIOs admits he or she is struggling to modernize application architecture.

The challenge is heightened by the need to design and develop applications and tools for multiple communication and collaboration channels. Consider how the rise of smartphones in the enterprise requires new mobile-enabled “apps” and functionality layered on existing architectures, or how changes in the ways that customers research products online may not leverage—are quickly becoming outdated as IT organizations seek more flexible IT sourcing models.

The global energy company cited above is in the early stages of its IT architecture transformation. A major first step was recognizing the challenge of being a truly global business. A clearer view of the drivers of business success is helping the IT organization to design an architecture that is less rigid and more diverse than in the past, with an emphasis on cloud and other emerging technologies.

A large European retailer has embarked on a similar transformation journey. The company has spent the last three years consolidating the IT architectures of its three main retail businesses—grocery, pharmacy, and liquor—to increase supply chain and other operational efficiencies. Although the architectural transition is still under way, the IT organization has already achieved significant improvements in scalability, flexibility and cost control.

2. Building Flexibility in IT Sourcing Models

With the IT architecture agenda in place, IT organizations can fine-tune their sourcing model, not simply to improve cost efficiencies but also to use external capabilities more effectively to drive innovation and growth.

Unfortunately, many of the sourcing partnerships that CIOs established over the past decade may not be the best relationships to support the business’s growth agenda. The first wave of outsourcing was established largely to address cost and improve IT’s ability to operate more efficiently. In many ways, this early outsourcing model centered on plugging in capacity and new capabilities as needed to replace or augment more costly or less efficient in-house capabilities.

For the most part, organizations have moved beyond this early “same mess for less” approach to outsourcing. But they may now find themselves restricted by partnerships that were built from a cost-management perspective.

Enterprises have evolved from buying capacity to buying services, often involving multiple vendors, solutions and skill sets. An Asia Pacific financial services company, for example, has restructured all of its IT activities into a services catalog that enables IT to quickly deliver emerging technologies or additional capacity to its business units. Proactively managing these services in support of business initiatives has enabled the IT organization to operate more efficiently and respond more rapidly to business needs.

As this company has demonstrated, the next generation of outsourcing is all about matching the growth agenda with the most appropriate IT sourcing options. CIOs need to be proactive in the IT/business planning process. Close alignment with the business will help CIOs identify the best types of IT sourcing relationships as well as the in-house skills required to support these relationships.

In a multi-source model, the capabilities of both the internal organization and the sourcing partners will change. IT organizations require in-house personnel who are as skilled at managing partnerships as they are at writing code. Managing suppliers requires a specific type of knowledge capital, and managing the business/IT interface—not just as an order taker but as an active participant in business process development—requires different skills as well. IT is in a unique position to develop processes that align business users with the third-party services that best address their needs.

2 “Mind the Gap: Insights from Accenture’s third global IT performance research,” 2010, Accenture
3. Adapting the IT Workforce

The emergence of new sourcing models, including cloud services, is reshaping the IT workforce. In the past, IT organizations focused primarily on internal enterprise software and developed specialized knowledge and skills to support this environment. Now, with many of those resources provided through managed services, IT organizations may lack expertise about the applications they are running.

Shared services models are forcing CIOs to take a fresh approach to their workforce. Some CIOs are moving more quickly than others. Accenture research shows that high-performance businesses are seven times more likely than other IT organizations to have invested in new technology skills development and three times more likely to be addressing skills development for application and technology architectures and information management.3

One large financial services provider in Europe discovered an IT skills gap as it reorganized around three core platforms: SAP, Microsoft and business intelligence. The IT organization retained its top performers, eliminated roles that were no longer core to the new structure and moved to an IT sourcing model with strategic partners for each platform. This strategic sourcing model enables IT to scale quickly to meet business demand, while retaining the knowledge the IT workforce is developing in support of these platforms.

CIOs should not underestimate the complexity of this type of cultural change. All participants in the IT ecosystem—including internal staff, external vendors and even business users that interface with IT—must adapt their skills to accommodate new global models for technology services. But there is a significant potential upside to the new IT operating model: It can help the CIO make proactive choices about which competencies to build in-house.

4. Running IT as a Business

As IT workforce competencies evolve, CIOs will need to adapt their own skills as well. Many CIOs are in the midst of a transition from managing a technology organization to managing a business, in which their primary mission is building relationships and helping senior leadership drive the business agenda as a partner, not a provider. A seat at the table is cliché, but it is precisely what the CIO requires to foster innovation and prove IT’s value to the business.

The CIO has historically been charged with keeping the lights on while controlling costs. In the new world, with a broader set of technology options available to serve the business, the CIO needs to become more adept at matching those options to current and future business needs. With its deep technology expertise, the IT organization remains a catalyst of innovation, but the CIO must be able to show the business how to capitalize on that innovation.

IT governance models should also adapt to accommodate the changing relationship between IT and its sourcing partners. High-performance IT organizations are adept at ensuring that service providers conform to the security and performance expectations of IT and the business. For example, three-quarters of high performers in Accenture’s 2010 High Performance IT research said they employ sophisticated metrics and processes to track the effectiveness of application outsourcing providers, compared with 36 percent of other IT organizations in the survey.4

Achieving maximum return on investments in cloud and other external services requires high levels of both stewardship and accountability.

A clearly defined IT governance model and service catalog will also help business users follow a consistent process for procuring services, without having to sacrifice the flexibility they need—and now expect—to quickly deploy or scale new services and functionality.

New IT operating models are also likely to require revised security and compliance policies that account for the integration and interoperability of third-party services. In particular, IT organizations will have to ensure that customer information or other sensitive data maintain the same high-level protections within third-party services as they do behind the enterprise firewall.

IT governance models that are aligned with business needs can make it easier for CIOs to secure future investment in strategic initiatives. Nearly nine in 10 high-performance IT organizations say they develop a business case for most new IT initiatives, and they are eight times more likely than other companies to measure the benefits realized from these IT projects, Accenture High Performance IT research shows.5

At one large Asian energy services provider, business cases for new IT projects are developed jointly by IT and the business sponsor. ROI is categorized in two ways: “tangible” (will the investment deliver calculable returns to the general ledger or payroll?) or intangible. This process has helped raise the realization rate—the actual harvesting of business benefits in the project business case—to 98 percent.

Conclusion

As businesses reinvest in growth initiatives, CIOs have an opportunity to position their IT organizations as strategic partners that can help drive the growth agenda through innovation. To be successful, the IT organization requires a new type of operating model, one that is global in scope and offers the right mix of services and skills that can adapt quickly as business needs change.

An agile operating model will provide a foundation for IT’s own evolution in a rapidly changing business environment.

3, 4, 5 “Mind the Gap: Insights from Accenture’s third global IT performance research,” 2010, Accenture
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.