Mind the Gap

Insights from Accenture's third global IT performance research
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Introduction

As businesses work to emerge from the downturn, CIOs are recalibrating their efforts to drive more enterprise value from IT. CIOs understand that as expectations across the entire C-suite rise in the new economy, they have a newfound opportunity to position IT as a partner—and a growth engine—for the business. The desire is there: Accenture research shows that 67 percent of CIOs want to position IT as a strategic asset, thereby creating differentiated business capabilities for their organizations.

Whether they can stretch to this strategic level, however, remains to be seen. For years, C-suite executives have been setting a higher bar for IT, challenging CIOs to deliver IT capabilities that fuel business innovation and agility. But for the most part, CIOs have not met the challenge. Many IT leaders continue to feel hamstrung by a combination of cost-cutting mandates, inadequate skill development in their IT organization and a “keep the lights on” focus that permeates many IT organizations.

There are, however, a few exceptions. High performing IT organizations have demonstrated excellence in three key traits—innovation, agility and execution—which enable them 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.

The latest results from Accenture’s ongoing High Performance IT research show that high performers don’t just do a few things well—they excel across the board. For example, compared with their peers, high performers:

- have web-enabled 42% more of their customer interactions and 93% more of their supplier interactions;
- are 44% more likely to recognize the strategic role IT plays in customer satisfaction;
- are eight times more likely to consistently measure the benefits realized from strategic IT initiatives;
- spend 29% more annually on developing and implementing new applications rather than on maintaining existing ones; and
- are twice as likely to view workforce performance as a priority.

Notably, the gap between high performers and other IT organizations is widening. Excellence in innovation? The delta between high performers and their peers has grown from 31 percent in 2008 to 42 percent. Execution excellence? The gap has risen seven points, from 30 percent to 37 percent, in just two years (exhibit 1).

How to interpret this growing chasm? High performers that have shown an ability to differentiate their core IT capabilities during the downturn—a period when most organizations were focused primarily on cost-cutting—are now positioned to deliver much more value to their companies as they search for business growth.
Consider the State of Michigan, one of the hardest-hit regions in the United States during the economic downturn. Despite nine consecutive years of budget cuts, the state’s IT organization emerged as one of the top performers in this year’s research, demonstrating excellence in two key categories: innovation and execution.

“It all begins with strategic planning,” said Ken Theis, who served as the State of Michigan’s CIO from December 2007 through September 2010. “But we don’t put the strategic plan on a shelf. It comes down to very tactical projects, with a performance management toolset that we track very closely. Everyone’s accountable, from the CIO down to the person who’s coding.”

The widening performance gap between high performers and other IT organizations should serve as a wake-up call for the underperformers to improve core capabilities—or risk being marginalized by business leadership.

The choice is clear: the power to change is in the CIO’s hands

CIOs can accept a 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. These steps can help them bridge not only the gap that exists between their organizations and high performers, but also the fissure that, in many companies, continues to separate IT from business strategy.
What Are High Performers Doing Differently?

Since its inception, Accenture's ongoing High Performance IT research program has shown that some IT organizations perform fundamentally differently and continuously better than their peers.

This high performance is exhibited across three IT building blocks (exhibit 2):

**IT Execution**
Leaders in IT Execution have active governance programs and involve the business as partners in the IT strategy. They use metrics to ensure the effective cost/benefits management of IT investments and manage IT as a business.

**IT Agility**
Leaders in IT Agility are effective at aligning IT resources to business requirements and priorities. They integrate their optimized applications portfolio internally and externally, and they seek technologies that provide dynamic access to infrastructure.

**IT Innovation**
Leaders in IT Innovation consider IT a strategic asset for competitive advantage by applying a continuous innovation and collaboration mindset to the deployment of new technologies.
These building blocks cut across nine core capabilities that range from application architecture to workforce management (exhibit 3).

To be sure, each of these capabilities poses unique and ongoing challenges to all IT organizations. High performers, however, have leveraged these capabilities more effectively to refocus their efforts around meeting core business objectives such as customer satisfaction and employee productivity, while other IT organizations continue to view cost management as a top priority. In many ways, it’s tough to blame them. The constraints of legacy infrastructures and a mandate to reduce operational costs can cloud a CIO’s strategic thinking, as well as how they spend their time and budget. The high performers in our survey, however, have embraced these challenges and created pockets of excellence that show demonstrable results across nine core capabilities, which our research explores in detail.

How Accenture Measures High Performance

Accenture’s High Performance IT research program is a global effort to measure an organization’s IT capabilities as an indicator of high performance.

To identify high performers, we begin with a core set of more than 60 performance indicators in over 40 questions that address prerequisites for IT leadership in each building block. To ensure that the appropriate indicators are used, we employ reliability scores (using results that are statistically acceptable). We then use the questions to calculate a performance score for each participant for each of the three building blocks.

Using this score, we then calculate a mean of the resulting performance scores for each building block. Next, we identify the leaders in each building block by selecting the participants with scores that were higher than 1 standard deviation from the mean result (approximately the top 14th percentile).

High performers are those who are leaders in all three building blocks. For the 2010 research, we identified 13 high performers among the 226 respondents.
1. Strategic IT Alignment

While all CIOs recognize that IT is strategic to the business agenda now more than ever before, only a fraction of CIOs—the high performers in our 2010 research—are better at defining how IT can help achieve core business objectives and then deliver on those objectives. For example, they are more than three times as likely to deliver IT's committed value in new products and services and twice as likely to cite IT's strategic role in improving employee productivity (exhibit 4).

Exhibit 4. Over two times more high performers recognize the strategic role of IT in meeting core business objectives

<table>
<thead>
<tr>
<th>Business Objectives Priorities</th>
<th>Ranking</th>
<th>IT function is strategic in meeting the business objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High Performers</td>
<td>Other Organizations</td>
</tr>
<tr>
<td>Increasing employee efficiency and productivity</td>
<td>#1</td>
<td>#3</td>
</tr>
<tr>
<td>Increasing external customer satisfaction</td>
<td>#2</td>
<td>#2</td>
</tr>
<tr>
<td>Cutting business operational costs</td>
<td>#3</td>
<td>#1</td>
</tr>
<tr>
<td>Providing the right information to the right person at the right time</td>
<td>#4</td>
<td>#6</td>
</tr>
<tr>
<td>Delivering new services or products to customers</td>
<td>#5</td>
<td>#4</td>
</tr>
<tr>
<td>Achieving operational excellence</td>
<td>#6</td>
<td>#5</td>
</tr>
<tr>
<td>Supporting Research and Development</td>
<td>#7</td>
<td>#7</td>
</tr>
</tbody>
</table>
To help the business achieve its goals, high performers are investing heavily in application development: 70% of their resources are devoted to deploying, testing, integrating, building or enhancing applications. This means they are spending more time building new functionality and less time "keeping the lights on" (exhibit 5).

"We're moving from what I would call an order-taker mentality to a business partnership," said one CIO respondent. "Our role is really to drive business change through process and technology."

Investing in new technologies is critical for businesses looking to improve their agility in the new economy. High performers, in fact, are on average 25% more likely than other IT organizations to deploy or pilot new technologies and even more in areas such as business analytics, virtualization, and data management and security (exhibit 6).

Less running and fixing, more building

In the past four years, IT organizations have reduced the time they spend on non-discretionary application and infrastructure activities. According to Accenture's ongoing High Performance research, the percentage of time spent on these activities has fallen from 40% in 2006, to 38% in 2008, to 36% in 2010.

CIOs remain limited in allocating the time and resources necessary to create more value for the business, however. Perhaps that's why 38% said that IT is still viewed as a cost center or as generating little value to the business.
The technology adoption curve

As CIOs chart their short-term course for investing in IT, it’s worth noting some current adoption trends—some of which we found surprising.

While adoption of virtualization technologies has progressed rapidly over the past four years, only 6% of IT organizations report that they currently manage a fully virtualized environment for the dynamic provisioning of services. In addition, only 4% of organizations today use mostly thin clients with seamless multi-media access to enterprise content. There is a lot of interest in piloting these solutions, but few are committing to it.

The widest gap between high performing IT organizations and other respondents regarding technology adoption lies in the architecture and information management space (i.e., data and business analytics). Ninety-two percent and 83% of high performers have deployed or are piloting services oriented architecture (SOA) and business process management, respectively, compared with 51% and 42% of other organizations.

Cloud computing—including Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS)—is emerging slowly. One-third of all IT organizations have deployed or are piloting SaaS, 16% are deploying or piloting IaaS, and 9% are rolling out PaaS solutions. The majority of organizations are reading and monitoring cloud trends; respondents are more inclined to re-create cloud environments inside their existing infrastructure—called the private cloud—as opposed to migrating to the public cloud.

IT organizations expect to ramp up their migration of applications and infrastructure to the public cloud three- to five-fold over the next three years. But as cloud technologies evolve, we expect to see many different combinations of public and private cloud deployments.
More specifically related to the use of emerging web tools that reduce costs, streamline or otherwise improve interactions with employees, customers and suppliers, high performers have 93% more web-enabled supplier interactions and 42% more web-enabled customer interactions compared with other IT organizations. In addition, twice as many employee interactions are mobile-enabled (exhibit 7).

Online and mobile interactions: Still underutilized

With online and mobile customer interactions costing a fraction of the cost of serving these customers in person or over the phone, the potential benefits of deploying these technologies are significant.

Yet, only 26% of customer interactions, on average, are online—vs. a 49% target. This represents only a slight bump from 2008, when respondents reported that 22% of customer interactions were online.

And while a new generation of buyers is demanding ways to connect to companies using their mobile phones, a mere 8% of customer interactions are mobile, against a target of 26%.
2. IT Governance

The economic downturn forced many IT organizations to cut spending in proportion to the reduced revenues of the business. But high performers have shown resiliency in securing new investments, in large part because of their excellence in IT governance and their ability to turn cost savings and efficiency improvements into re-investment in IT that adds value.

For example, 69% of high performers say they develop a business case for nearly every new IT initiative, more than twice the percentage of other IT organizations (exhibit 8). Perhaps more importantly, high performers are eight times more likely to measure the benefits realized from these IT projects (exhibit 9).

China Light & Power (CLP), one of the leading power companies in the Asia-Pacific region, employs a very sophisticated governance model for its IT investments. Business cases for new projects are developed jointly by IT and the business sponsor. ROI is categorized in two ways: “tangible” (will it 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%.

Metrics constitute one of the most important programs for improving IT organizations’ delivery performance.

Unfortunately, the metrics most IT organizations (82%) access to measure IT performance can be summarized in one line: total IT spending, along with departmental and project budget adherence. It’s worth noting, however, that learning from past failures has also become more prevalent: 57% of all IT organizations surveyed say they have access to post-mortem project reviews, a significant improvement over the 36% in 2008 and 33% in 2006 that said they perform such reviews.
CLP also calculates a cost-benefit ratio for its IT investments, which projects how much business value each dollar spent will deliver over five years.

“The business understands the business benefits we can deliver including tangible benefits which have a measurable general ledger impact or direct payroll impact.” Said Joe Locandro, director of group IT with China Light & Power. “We used to just get the low hanging fruit, but now we have moved up into the innovation part of the pyramid.”

Among all respondents, on average, 55% of IT projects are delivered successfully annually. This shows an improvement over industry reported benchmarks, and much of the credit can be given to the knowledge, practices, and standards that have contributed to the professionalization of the IT organization.

Unfortunately, too many failures still occur. Because many of these failures can be traced to management and decision-making practices, it is useful to explore the tools and best practices IT organizations leverage to help diagnose and perhaps even prevent failures from occurring.

Exhibit 9. High performers are eight times more likely to measure the benefits realized from these IT projects

For the initiatives that had a business case when initiated, how often—on completion—do you verify, measure and report whether the proposed benefits are realized?

<table>
<thead>
<tr>
<th></th>
<th>High Performers</th>
<th>Other Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today</td>
<td>42%</td>
<td>5%</td>
</tr>
<tr>
<td>Target</td>
<td>67%</td>
<td>38%</td>
</tr>
</tbody>
</table>

All the time, with actions taken proactively to achieve progress

Regular training and knowledge sharing was the second most important program selected

Only 33% of IT organizations directly align training and succession planning with their specific skills, and only a quarter of IT organizations say they proactively provide knowledge capital to their IT people at the right time and in the right format (82%, however, aspire to do so). Greater use of collaboration and unified communications tools such as instant messaging, social networks, and videoconferencing should improve global knowledge sharing. Over two-thirds of the surveyed IT organizations have deployed or are piloting these technologies, although only 15% say they are using sophisticated, integrated collaboration technologies as opposed to more basic methods. While all organizations report similar goals of capturing and sharing knowledge or improving employees’ productivity, only high performing organizations say they are meeting their expectations; other organizations report a larger gap between performance and potential.
3. Application Architecture

Definition and evolution of the IT organization’s target application architecture is a critical distinction between companies identified as 2010 high performers and those that are not. These IT leaders emphasize the importance of a target application architecture centered on three objectives. The first involves scheduling and implementing regular refreshes of the application architecture; 62% of high performers cited this element as highly important, compared with 17% of other IT organizations (exhibit 10).

The second involves proactively applying architecture principles in all initiatives. More than 60% of high performers said this objective was highly important, compared with 33% of the other respondents. Third, high performers understand the importance of avoiding duplication in their application portfolios; 54% cited this feature as highly important, vs. 35% of other IT organizations.

High performers are in control of the evolution of their architecture toward emerging concepts such as virtualization and service orientation. They also effectively manage the tradeoffs between the desire to innovate and the incremental costs associated with exploration and innovation. One-third of high performers tell us they retire less successful services quickly to manage costs, while only 6% of other organizations are able to do so.

The State of Michigan has found that taking a bottom-up approach to its application architecture can lead to strategic reallocation of resources to innovation initiatives. In one example, the state’s Department of Human Services asked for IT’s assistance in developing a new eligibility system for the state’s residents—without any real budget to fund it.

“We took a look at where they were spending their money, and discovered they had 47 projects focused on enhancing legacy systems,” said Theis, the former CIO. “We stopped 38 of those projects, which gave the department enough money to fund the integrated eligibility system.” The key to this project’s success, Theis added, began with the business case. “We sold this project by showing how the new system could reduce caseworkers’ administration loads by consolidating data entry,” he explained. “When you do that, you’re bringing real value.”

As our research clearly shows, architecture is the IT organization’s weakest link for most participants. Organizations should focus on building stronger and more active application and technology architecture capabilities, with IT and business stakeholders working together to adopt and enforce consistent processes and to plan, execute and optimize investments across the organization that directly support business value creation. This architecture should be refreshed and optimized regularly.

Exhibit 10. High performers view application architecture as core to delivering business value

How would you rate the importance of the following objectives in creating and maintaining a healthy application architecture in your organization?

<table>
<thead>
<tr>
<th>Objective</th>
<th>High Importance</th>
<th>Other Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application architecture is regularly refreshed</td>
<td>62%</td>
<td>17%</td>
</tr>
<tr>
<td>Business analysts and IT staff proactively apply the application architecture guidelines in new initiatives</td>
<td>62%</td>
<td>33%</td>
</tr>
<tr>
<td>Duplication in the portfolio is avoided</td>
<td>54%</td>
<td>35%</td>
</tr>
</tbody>
</table>
4. Information management

High performers, not surprisingly, are more evolved in their information management practices than other IT organizations. They are more than twice as likely, for example, to have developed target data architectures and created effective business intelligence and analytics capabilities as well as data governance.

High performers also provide their employees with more access to the most detailed and real-time information they need to do their jobs. The most accessible, granular and real-time customer data, for example, is 80% more accessible, more than twice as granular and twice as likely to be available in real time from high performers vs. other IT organizations (exhibit 11).

Investments in information management technology are delivering significantly more value for high performers. More than three-quarters of high performers said that business analytics investments are delivering 75% or more of the expected value, vs. only 40% of other IT organizations (exhibit 12). For example, high performers have invested more aggressively in data quality assurance and master data management technologies, giving them reliable, consistent information about customers, products, employees, and suppliers. Indeed, 92% and 77% of high performers have deployed or are piloting data quality assurance and master data management, respectively, vs. 53% and 57% of other organizations.

<table>
<thead>
<tr>
<th></th>
<th>Most accessible</th>
<th>Most granular</th>
<th>Real-time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High Performers</strong></td>
<td>58%</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td><strong>Other Organizations</strong></td>
<td>32%</td>
<td>22%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Exhibit 11. High performer’s employees have more access to the most detailed and real-time information they need to do their job

<table>
<thead>
<tr>
<th></th>
<th>Most accessible</th>
<th>Most granular</th>
<th>Real-time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer</strong></td>
<td>58%</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td><strong>Products/Services</strong></td>
<td>54%</td>
<td>54%</td>
<td>62%</td>
</tr>
<tr>
<td><strong>Suppliers/Partners</strong></td>
<td>38%</td>
<td>31%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Exhibit 12. Information management investments are delivering significantly more value for high performers than for other IT organizations

Are your current information management investments delivering the expected value?

Percentage who selected delivering 75% or more of expected value:

- **Business Analytics**: 77% for High Performers, 40% for Other Organizations
- **Data Management**: 77% for High Performers, 40% for Other Organizations
- **Business Intelligence**: 69% for High Performers, 40% for Other Organizations
- **Content Management**: 62% for High Performers, 29% for Other Organizations
- **Portals**: 54% for High Performers, 38% for Other Organizations
5. Service Management & Operations

IT organizations are changing the way they provide and manage IT services, and high performers are significantly further along the journey toward centralized, fully virtualized environments.

Having rationalized and simplified their IT for a leaner infrastructure, high performers provide IT services via a standard, well-defined services-based catalog at twice the rate of other IT organizations, for example (exhibit 13). In addition, almost half of high performers are leveraging advanced virtualization technologies and dynamic provisioning, vs. just 3% of other IT organizations in our research (exhibit 14).

Adopting standards-based services catalogs and deploying virtualization technologies put high performers in a much better position to migrate enterprise infrastructure and applications to private or public cloud services as the need arises. While external cloud services represent just a modest fraction of their infrastructure, three times more high performers as other organizations are looking to leverage these dynamic services as needed today.

High performers are also ahead of their peers in their approach to monitoring IT operations. For example, 70% say they measure end-to-end business process performance with automated, live reporting, vs. 23% of other IT organizations.
6. Solutions Delivery

High performers are significantly ahead in extracting benefits from integrating business processes, information and IT systems. For example, they are six times more likely to provide real-time visibility into processes and four times more likely to provide real-time dashboards and alert systems (exhibit 15).

In addition, as noted earlier, high performers spend 29% more annually on developing and implementing applications than they spend on running them—a significant enabler of innovation and business agility (exhibit 16). This approach also allows leading IT organizations to ensure applications meet their technical and business needs: on average, high performers' applications are more than two times as likely to meet their business needs and more than three times as likely to meet their technical needs.

Application integration was one challenge that the State of Michigan tackled to improve value to the state's business owners. The IT organization created a portal that consolidated the offerings of 12 state agencies that businesses traditionally had to engage with separately to secure permits and fill out registration forms.

"This was a project we identified, based on a governor’s report that showed most businesses didn’t know which agencies they should be talking to," said Theis, the former CIO. "The portal provides a one-stop shop for all of a business's transactions with the state. That drives value for them and for the agencies."

Exhibit 15. High performers are significantly ahead in extracting benefits from integrating business processes, information and IT systems

Your organization has realized the following benefits from integrating its business processes, information and IT systems

<table>
<thead>
<tr>
<th>Benefit</th>
<th>To a very large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide executives with real time dashboard and alert systems</td>
<td>23%</td>
</tr>
<tr>
<td>Provide customized systems that provide real time visibility into key processes</td>
<td>23%</td>
</tr>
<tr>
<td>Improve the organization’s ability to analyze the costs and benefits of business processes</td>
<td>15%</td>
</tr>
<tr>
<td>Develop and capitalize on new insights on changing customer behavior</td>
<td>8%</td>
</tr>
<tr>
<td>Embed real time analytics-based decision making tools into business processes</td>
<td>8%</td>
</tr>
</tbody>
</table>

Exhibit 16. High performers spend 29% more than other organizations annually on developing and implementing applications than on running them

Annual spend on developing and implementing applications versus maintaining those applications

<table>
<thead>
<tr>
<th>Category</th>
<th>Average of portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Performers</td>
<td>62% 38%</td>
</tr>
<tr>
<td>Other Organizations</td>
<td>48% 52%</td>
</tr>
</tbody>
</table>

This was a project we identified, based on a governor’s report that showed most businesses didn’t know which agencies they should be talking to," said Theis, the former CIO. “The portal provides a one-stop shop for all of a business's transactions with the state. That drives value for them and for the agencies.”
7. Workforce & Resource Management

IT organizations are investing in developing leadership while focusing on setting clear IT direction and priorities. Moreover, they strive to assign the right people to the right role, and reward them according to set objectives tied to business outcomes. For example:

- More than a quarter of IT organizations seek to deploy their IT resources in a supply/demand model (aka “on demand”), with most IT resources and services shared across business areas.
- Today, just under one in ten IT organizations measure their IT workforce performance against individual achievement and alignment with business outcomes, but 36% are hoping to achieve this objective in the future.
- One in six IT organizations are actively seeking to create a well-managed IT workforce by aligning training and succession planning with workers’ specific skills. Almost half of IT organizations plan on doing so in the future.

The high performers in our research make workforce management a top priority and have made significant strides in addressing workforce challenges. It is clear that high performers view the workforce strategically as a core resource, one that must be invested in and supported with the proper tools, training and certification.

For example, high performers are over seven times more likely than other IT organizations to have already invested in new technology skills development. They are six times as likely as other IT organizations to have a plan in place to address the aging workforce and the potential loss of institutional knowledge as these workers retire; three times more likely to be developing new career tracks to develop future IT workers; and three times more likely to be addressing skills development for application and technology architectures and information management (exhibit 17).

China Light & Power has spent the past six years transforming its IT workforce into what Group IT Director Joe Locandro calls a “smart army” of business-savvy technologists. The IT group’s investments in human capital led to a significant cultural shift centered on business value creation, customer care, passion, and innovation.

“We wanted to move from a very hedonistic, inward-looking IT organization to an outward-focused group that understands technology relative to the business.”

The transformation is ongoing – by design. The IT group reorganizes every two years to ensure that IT staff is expanding its competencies through job rotations and career progression. Business competencies have become part of annual performance appraisals.

“We continually adapt and evolve,” said Locandro. “Those who adapt, survive.”

Exhibit 17. High performers make workforce management a top priority

Where are you with the following workforce challenges?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>High Performers</th>
<th>Other Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing multiple service providers</td>
<td>13%</td>
<td>38%</td>
</tr>
<tr>
<td>New technologies skills</td>
<td>4%</td>
<td>31%</td>
</tr>
<tr>
<td>Business knowledge/relationship skills</td>
<td>9%</td>
<td>23%</td>
</tr>
<tr>
<td>Aging workforce</td>
<td>4%</td>
<td>23%</td>
</tr>
<tr>
<td>Collaboration across geography and provider</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>New career tracks</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Enterprise architecture and information skills</td>
<td>5%</td>
<td>15%</td>
</tr>
</tbody>
</table>
8. Information and Technology Security

Security policies and procedures affect the entire business—its operations, how it interacts with customers and partners, even its brand performance. High performers, which are more likely to have a Chief Security Officer in place (with a clear role in the organization that is complementary to and reinforces the role of the CIO), demonstrate leadership and agility in deploying comprehensive information and technology security strategies. The majority of high performers (77%) also feel they have the right level of investment in security today, while 27% of other organizations believe they are under-investing in security initiatives.

High performers are three times as likely to coordinate security governance with lines of business, as opposed to simply sharing security policies with them. High performers also put significantly more emphasis than other IT organizations on defining an overall security strategy and architecture: They are twice as likely, for instance, to implement data protection controls, and nearly three times as likely to automate compliance procedures and clarify a security governance model and organization structure (exhibit 18).

Exhibit 18. High performers put significantly more emphasis than other organizations on defining an overall security strategy and implementing data protection controls

Please describe the security priorities for your organization.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High Priority</th>
<th>Other Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement data protection controls</td>
<td>58%</td>
<td>24%</td>
</tr>
<tr>
<td>Define an overall security strategy</td>
<td>58%</td>
<td>23%</td>
</tr>
<tr>
<td>Improve/automate compliance processes</td>
<td>42%</td>
<td>15%</td>
</tr>
<tr>
<td>Clarify the security governance model and organization structure</td>
<td>42%</td>
<td>16%</td>
</tr>
<tr>
<td>Define a risk-based approach to security</td>
<td>33%</td>
<td>22%</td>
</tr>
<tr>
<td>Improve our ability to address cybersecurity</td>
<td>33%</td>
<td>23%</td>
</tr>
<tr>
<td>Test for business process vulnerabilities</td>
<td>33%</td>
<td>16%</td>
</tr>
<tr>
<td>Improve our identity management capability</td>
<td>25%</td>
<td>21%</td>
</tr>
</tbody>
</table>

High Performers | Other Organizations
9. Outsourcing

Outsourcing is more than just a way to lower costs. High performing IT organizations strategically use outsourcing to gain access to critical IT skills, improve their agility and flexibility, increase the effectiveness of business processes, and lower the total cost of ownership of applications and infrastructure.

High performers approach outsourcing as a partnership with service providers, which enables them to extract significantly more value out of their application and infrastructure investments. Among high performers in our research, 83% said application development and maintenance services provide the greatest value in helping them achieve critical IT objectives, while three-quarters cited infrastructure management as providing high value in achieving IT goals.

Outsourcing also is a critical aspect to workforce management, because it allows CIOs to build new skills faster and retire skills that are no longer relevant. Compared with other IT organizations, high performers have realized significantly more value from staff augmentation that met or exceeded their original objectives.

Objectives for outsourcing vary based on the type of service. Here are the top three goals behind respondents’ decision to outsource for each service category (exhibit 19):

Exhibit 19. Top three goals behind respondents’ decision to outsource by service category

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Top Three Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Augmentation</td>
<td>Increased agility/flexibility</td>
</tr>
<tr>
<td>Application Outsourcing</td>
<td>Increased agility/flexibility</td>
</tr>
<tr>
<td>Infrastructure Outsourcing</td>
<td>Lower total cost of ownership</td>
</tr>
<tr>
<td>Business process Outsourcing</td>
<td>Increased productivity</td>
</tr>
</tbody>
</table>

Information management: Pushed to the limit

The massive amount of structured and unstructured data organizations are collecting—from instant messaging exchanges to business records—is outpacing their ability to secure it, store it, share it and present it to the right person at the right time.

More than half of the IT organizations in Accenture’s 2010 High Performance IT research still share data between systems using some form of point-to-point integration. Close to 80 percent of IT organizations have ad hoc security controls or control only sensitive data in certain areas of their organizations.

Moreover, more than one-third of the respondents said they have limited or no portals for sharing information, and two-thirds of the CIOs conceded that their systems do not fit the description of “flexible” when information needs change.

As one CIO respondent put it: “How can we consume all the millions of data points we have in our ERP in better ways?”
Importantly, high performers are more effective at employing sophisticated metrics and processes to track the effectiveness of outsourcing service providers. For example, three-quarters of high performers in our 2010 research said they employ sophisticated metrics for application outsourcing, compared with 36% of other IT organizations in our survey. High performers are also more likely to employ sophisticated metrics for infrastructure outsourcing (73%, compared with 46% of other organizations) and business process outsourcing (67% vs. 35%).

These metrics are essential for demonstrating the value that outsourcing delivers to the business. While many organizations use inadequate process standardization and insufficient tools as an excuse for not applying the necessary metrics, high performers are confident that their metrics demonstrate business value, particularly in infrastructure outsourcing and business process outsourcing (exhibit 20).

As a result, the value high performers realize from outsourced services more often exceeds their original projected business objectives (exhibit 21).

Exhibit 20. The metrics which high performers employ are more effective in completely demonstrating the value delivered, especially for IT outsourcing

How well do the metrics you employ help you manage your service providers and demonstrate value delivered to the business?

Exhibit 21. The value high performers realize from outsourced services more often exceeds their original projected business objectives

Please estimate the value realized from your outsourced services relative to your original business objectives

- Exceeded and greatly exceeded
- 0%
- 9%
- 25%
- 13%
- 27%
- 18%
- 25%
- 7%
Where Do You Go From Here?

What can we learn from these results? Business and IT leaders should continually be challenging the status quo by evaluating alternative computing models and emerging technologies, such as software-as-a-service, cloud computing or mobility, as a means to reduce costs and improve employee efficiency, as well as to increase customer satisfaction. But we know that investing in new technologies alone will not make an organization a high performer.

It is worth restating that, by definition, high performing IT organizations must excel across all three IT building blocks: execution, agility and innovation. In other words, high performing IT organizations maintain focus on the opportunity to improve IT value and gain competitive advantage, while improving IT’s economics. High performers also understand that these are not mutually exclusive attributes, meaning that improving in one area will help them improve performance in the other two as well. We believe that this virtuous cycle of performance improvement explains much of the widening gap between high performers and other organizations.

CIOs have the power to close the performance gap and turn the vicious cycle into a virtuous one. 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: Defining the baseline, the desired state, and the gaps between the two

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? Here is a sample of these core disciplines:

- Actionable IT strategy integrated with business strategy
- Active governance and involvement of the business as “partners” in IT strategy
- A strong application and technology architecture with clear and enforceable standards policies
- Effective control, management and visibility into the cost/benefits of infrastructure and application assets and investments
- Prioritized application investments based on business process improvement needs
- Proactive, automated tracking of IT performance based on a set of core metrics for continuous improvement
- Comprehensive data management and data security processes and policies
- A professional IT workforce utilized as a strategic asset, with performance tied to business outcomes
- Comprehensive and enforceable security governance policies and standards, fully integrated into the IT function, including risk management
Remember that instilling a disciplined mindset in any organization takes time. The CIOs we have spoken with who are leading a successful IT change initiative began their efforts years ago—and none of them feel they are “there” yet. Most importantly, none of these CIOs have let the economic downturn and the smaller IT budgets that came with it get in their way. In fact, they pushed their agendas even harder.

IT agility: Molding IT to the needs of the business

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.

That’s why in addition to traditional IT metrics, CIOs should identify the metrics that tie into the organization’s most important business objectives for short- and long-term outcomes. Understanding which business functions influence these metrics the most will help you to determine how IT initiatives can not only support, but also improve these metrics. Your efforts will likely encompass the following measures:

- Internal and external resources aligned to business requirements and priorities
- Strategic capabilities of third-party providers fully leveraged as needed
- Integrated business and IT changes reflected in IT architecture
- Legacy systems proactively retired
- Application portfolios integrated internally and externally to optimize process automation
- Data shared as a service and systems responsive to changing business information needs
- Dynamic and secure access to virtualized, interoperable infrastructure (network, computing, desktop, storage)
- Comprehensive business continuity plans

IT innovation: IT as a strategic asset for competitive advantage

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. This culture can manifest itself in many ways:

- The IT function is positioned as a primary driver of the innovation process
- Business users are engaged to optimize processes and lower operational costs
- The application architecture is aligned with business objectives
- Employees, partners and customers have access to sophisticated collaboration technologies
- Business functions have real-time access to decision-making information and analytics
- Business processes are designed with security, risk and data privacy in mind
- The organization follows a centralized approach to risk management

It’s time for CIOs to take a stand

Industry pundits have been talking about the changing role of the CIO for a long time. Now, however, change has a better chance of sticking, since in many cases it’s being driven from the top down. More CEOs are finally viewing IT as an agent of change—and providing a mandate to the CIO to gain a comprehensive understanding of the business strategy, capabilities and economics. CIOs need to embrace this mandate as a means to change the business’ perception of IT from that of an order taker to a group that actively participates in—and enables—business transformation and innovation.

The key to success is identifying one or two opportunities to create value, delivering on those opportunities, and using the capital gained to drive more and bigger transformation. CIOs have the power to lead this change, but they can’t do it by themselves. They must build world-class IT teams that are able to think through issues and execute continuous improvements.

The CIO’s responsibility is to set the direction and create the structure that enables teams to perform their jobs in the most effective and productive manner – and in a way that ultimately adds value to the business.

By thinking big, starting small and scaling fast—a common refrain among innovators—CIOs can build credibility in the C-suite and drive sustainable business value throughout the organization.

“Sometimes you have to take brave pills,” said Theis, the former State of Michigan CIO. “You have to be very aggressive and very passionate about the power of IT.”
About This Study

The High Performance IT research program has been operating since 2005, and to date has involved in depth participation by more than 1,400 CIOs across 45 countries. Field research for the 2010 study began in late 2009; assessments were conducted by the most senior IT executives in 226 of the world’s largest private- and public-sector organizations, working with the Accenture High Performance IT team.

The companies represent a wide range of industries and geographies: 44% were from Europe, 26% from North America, and 15% each from Latin America and Asia Pacific. The companies have combined annual revenues of over $2.1 trillion and include both Accenture clients and non-clients.

For the survey, Accenture used more than 150 proprietary indicators of high performance in managing IT, across 9 IT capabilities. Many of these questions were created to shed light on the differences between CIO assessments of how their IT is performing today and where they aspire it to perform in the future. In the 150 areas of IT management, respondents were asked to rate their IT practice on a scale ranging from “Ad Hoc or Not Managed” (1) through “Defined and Managed” (3) to “High Performing” (5). The definitions of “Ad Hoc or Not Managed”, “Defined and Managed” and “High Performing” were based on Accenture’s appraisal of industry consensus on the given topic. In our opinion, a gap of “1.0” or more between current and target performance merits close attention.

For more information about the High Performance IT program, contact Gwen Harrigan, gwen.m.harrigan@accenture.com or visit www.accenture.com/highperformanceit.

For more information about the research results, contact Sophie Mayo, sophie.j.mayo@accenture.com.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 204,000 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$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com.