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MARK JEFFERY

Strategic IT Transformation at Accenture

In 2001 the firm then known as Andersen Consulting took the bold step of separating from its parent, Arthur Andersen. Rebranded as Accenture, this new organization had a bright future, but it also faced the challenge of building a new IT infrastructure to support a global organization that consulted on leading-edge technology. Frank Modruson, Accenture's chief information officer and the person responsible for carrying forward the IT transformation challenge from 2002 on, had ambitious plans for the new technology infrastructure that was to replace Arthur Andersen's legacy systems. (See **Exhibit 1** for the Accenture IT organizational structure.)

Difficult decisions had to be made. Should Accenture continue managing technology platforms with a decentralized approach, in which each country chose its own IT platforms and had the autonomy to run them? Or should the firm take a mixed approach, in which the same standard applications would run throughout the enterprise but would be managed independently by individual offices? Or should Accenture espouse a "one-firm" approach and boldly shoot for a centralized implementation of its most critical systems, with all its offices interconnected on the same "instance" of a software platform? Furthermore, should the firm retain its traditional conception of IT as a cost center, or should it regard IT as a service provision center that generated measurable value for the organization? These questions, and the answers formulated by Modruson and his team, drove Accenture's CIO organization to undertake one of the most remarkable IT transformations in a global organization in recent years.

History of Accenture

The Arthur Andersen accounting firm was founded in 1913 to meet the requirements of new tax regulations enacted when the Federal Reserve System was established that same year. As Andersen expanded across the globe, the firm decided in 1954 to differentiate its practice from the work of its competitors by offering consulting services within its accounting audit practice.

In 1989 Arthur Andersen decided to split its business into two separate entities: Andersen Consulting, in charge of all consulting activities of the firm, and Arthur Andersen, which continued to provide traditional financial audit services. Due to the strong growth Andersen Consulting experienced, two distinct company divisions emerged. The firm's accounting services were becoming commoditized, while its consulting services were highly valued and demanded by clients worldwide. When Andersen became an installation provider for business software leader SAP, Andersen Consulting felt SAP implementation was an activity within its business territory.

Representatives from both Andersen and Andersen Consulting repeatedly found themselves pitching services to the same high-level executives at prospective clients.

In December 1997 Andersen Consulting began a process of arbitration that sought to separate the consulting division from the financial audit firm. On August 7, 2000, the arbitration panel reached a verdict: Andersen Consulting would pay $1 billion to Andersen and give up its name in exchange for independence. Andersen Consulting took up the challenge and on January 1, 2001 (fondly known as "01/01/01" within the firm) adopted its Accenture name in a $175 million rebranding campaign. The world's largest management consulting organization was then born. This ambitious move was followed, on July 19, 2001, with an IPO of 12 percent of the company's equity, in which Accenture raised $1.7 billion.

History of IT at Accenture

From its inception in 2001, the new Accenture was a large organization with $11 billion in annual revenues, 75,000 employees, and more than fifty offices around the world. An effective IT infrastructure was key to integrating the new global corporation: knowledge had to flow freely across country lines and industry practices, and timely, accurate financial information was required to meet the more stringent demands made on a publicly traded company.

To support its launch as a newly independent business enterprise, Accenture had the right to use Andersen's technology infrastructure for one year. This gave Accenture only a very short time to create an IT infrastructure of its own. Complicating matters was the fact that Andersen's technology itself was deficient in many ways:

- As was typical in long-established organizations, Andersen's systems were composed of a patchwork of legacy applications that did not interconnect readily with each other.
- Due to the obsolete software platforms on which they ran, key systems and databases could not be accessed remotely through the Internet. Large, expensive private networks were required for this task, and financial information often had to be manually compiled to aggregate results from different offices.
- Over the years, Andersen's offices around the world had adopted their own individual accounting and human resources software systems, making it very complex to get an up-to-date snapshot of the whole organization's status at any one time.

As a company that prided itself on advising its clients on advanced technologies and best practices in IT implementation, Accenture clearly needed to resolve these issues regarding its own internal practices. (See **Exhibit 2** for the Accenture IT infrastructure prior to the transformation.)

A Time of Transition

Accenture had an opportunity seldom presented to an organization its size: the chance to start and build an IT infrastructure from scratch, using the most advanced technologies from the outset. As its guiding imperative, Accenture sought to create a technology capability that would offer its

consultants and support personnel access to knowledge and information "anytime, anywhere." This strategic necessity was driven by the fact that 75 percent of Accenture's employees spent significant amounts of time working outside Accenture offices, either at client locations or traveling. Consultants needed to remain connected while being highly mobile, whether they were at a client's site or at an airport. Today's business environment makes wireless connectivity and other technologies almost a given, but in 2001 this was an aggressive technological goal.

The IT team determined that addressing the following key challenges was paramount to achieving the performance goals the firm had set. (Accenture's multi-year goals at the time are summarized in **Exhibit 3**.)

Changing the IT Philosophy: What Should IT Mean to Accenture?

The first strategic decision facing Accenture's IT management team was conceptual yet critically important in shaping the organization's attitude toward technology. Arthur Andersen had viewed internal IT the way most large companies still do today: as a cost center with an assigned budget, run largely by technology-savvy engineers with limited involvement from management. As in other traditional organizations, IT expenditures at Andersen were budgeted in yearly meetings.

Technology priorities frequently had a political component: The internal stakeholder with the loudest—or perhaps the highest-ranking—voice was first in line, with others lining up in descending order of power or importance until the company ran out of money in the budget for that year's IT expenditures. Many other IT decisions were made by individual offices in different countries. These had their own specialized IT staffs, who often contracted or developed their own software applications to solve urgent needs with little input from firm-wide experts. This "many islands" approach made it difficult for the firm to integrate its information, highly costly to run support infrastructure, and impossible to staff service personnel globally and attain economies of scale.

Accenture's incoming IT management had a different vision—proposing instead that the new Accenture enterprise should run IT not as a cost center but as a business within a business. Under this conception, IT would be responsible for providing:

- IT products and services conceived and driven by the needs of internal customers and stakeholders, rather than by the interpretation of what IT engineers estimate internal users would need in the future.
- Clear and verifiable service levels for each of the IT products and services offered. The optimal service levels would be determined by what users required. These would also be competitive with those offered by specialized companies in the field and would be constantly benchmarked for improvements as learning curves and better technologies enabled efficiencies.
- IT spending priorities would be determined by a panel of C-level executives from different realms of the business: strategic, financial, operational, and technical. Priorities would directly respond to either the economic value or the strategic significance each IT

project brought to the organization. Such value would be quantified and presented to the steering committee, which would then make a decision based on the costs and benefits of each project. This would eliminate lobbying and remove the politics from critical technology decisions that should drive the competitiveness of the organization.

- When appropriate, different levels of service would be offered for a particular technology. A price would be established for each level of service, with customers choosing what served them best and often paying for support on a transactional basis (i.e., paying per support call, rather than paying a fixed fee for IT support).

Accenture's CIO organization thought deeply about which core or strategic IT competencies it should handle in-house and which it should outsource to external vendors; it also had to decide whether outsourced services should be sourced locally or sent off-shore.

Such a radical change in the approach to IT did not come about easily. There was pushback from different levels of the organization, especially within large contingents of the IT staff who were more comfortable conceiving their roles as "providing superior technical insights." The new approach now made IT staff responsible not only for operational statistics such as server up-time but also for dealing with people and satisfying service levels, for managing an internal technology service, and for creating and delivering IT tools that would support Accenture's business requirements.

To ensure the new IT services would be appropriately delivered, service level agreements, or SLAs, were drafted for each product line. These mimicked the type of agreements that Accenture often drafted with third-party providers, minus the penalty clauses. Accenture monitored prices with third-party providers to assure that the services being rendered by IT to its offices were delivered at a fair price and at a world-class level. Assuming there would be a learning curve and efficiencies would increase with time, Accenture continued to benchmark third-party providers periodically, and set their prices and performance metrics as an internal goal for the services being offered within Accenture's own organization.

Selecting a Platform

From the moment the initial IT planning stages began, it was clear to Accenture that the organization's inherited software and hardware configuration would be unable to meet its needs. As business units and different industry practices began to voice their necessities, the Accenture IT steering committee realized many applications had to be changed and new ones had to be acquired. (See **Exhibit 4** for the steering committee members.) One of the most strategic topics that came to the table for discussion involved whether Accenture should opt for a "best-of-breed" or a "one-platform" approach.

Under a best-of-breed strategy, the organization would buy what it believed was the best possible application in the market for a specific need—potentially ending up with many applications, from a plethora of vendors, that did not necessarily "talk to each other." Alternatively, Accenture could espouse, to the extent possible, a one-platform approach—that is, have one strategic partner provide compatible applications that might not necessarily be best in class. A single global platform would resolve the problem of the Pareto effect created by the company's requirements, wherein a relatively small number of specialized applications needs tended to create a disproportionately large number of complexities.

Each approach had its respective strengths and shortcomings. A best-of-breed approach potentially would make internal stakeholders very happy in the knowledge they had access to the best IT the industry had to offer for their needs. Furthermore, best-of-breed applications ideally provided more depth and functionality than peer applications, and the companies who ran them had a higher incentive to incorporate the latest technology and process trends in the field to maintain their lead.

On the other hand, a best-of-breed approach would put Accenture in a less cost-effective position, since the enterprise would not develop the clout with a single vendor to extract the best terms in licensing fees and maintenance. In addition, running multiple applications would require multiple specialists, increasing the training costs and IT personnel count. Multiple applications could affect the ability of the organization to consolidate and share information among business units, creating silos that might require special middleware or even custom-designed interfaces to connect one silo with the others, increasing costly maintenance headaches and staffing.

The one-platform approach would have the advantage of generating important economies of scale for the company. When dealing with only one vendor or even a few select vendors to meet its application needs, Accenture would gain leverage as it pressed for deeper discounts in licensing fees and maintenance. More important, Accenture could efficiently operate with a lower IT support head count when dealing with a single platform, reducing training costs for its IT specialists while leveraging economies of scale under the establishment of global support centers. Furthermore, applications sourced from the same vendor typically "talk" to each other, allowing information to flow seamlessly and in real time, without the need to design custom interfaces or to acquire expensive middleware. The biggest advantage of a one-platform over a best-of-breed approach is the ability to deploy new technology more quickly and less expensively.

The single-vendor approach, however, would lower Accenture's negotiating power regarding future purchases from that one vendor, who would recognize that any decision to move to a different platform would be a costly one. Furthermore, if the vendor was not financially strong or encountered future operating challenges, Accenture could put itself at risk should the vendor fail financially.

Managing Applications

Accenture's team determined that the organization's 600 global and 1,500 local applications on multiple platforms generated too much IT complexity. After considering the alternatives, Accenture opted for a single-vendor approach with the hope of minimizing the total cost of ownership of its IT infrastructure. With this move, the firm also sought to minimize the number of worldwide applications it deployed. Accenture's IT team strove to simplify its strategy by centrally managing its worldwide technology and choosing as select partners those vendors with a global presence who could serve Accenture businesses and offices in different countries. (See **Exhibit 5** for the new Accenture architecture.)

To run most of its back-end IT operations, as well as to provide basic communication and productivity applications, Accenture chose Microsoft as a partner. Over the course of two years, other applications currently being used but not belonging to the Microsoft family would be transitioned to the Microsoft equivalent. The belief was that having a single platform and common global applications would help reduce overall expenditures and allow for the flexibility to grow through scalability.

Accenture chose Microsoft because of the software giant's solid financial position (which diminished long-term partner risk), its global presence, and the high degree of integration it offered in its applications. Microsoft provided Windows NT to run Accenture's server and network infrastructure, as well as its SQL database for all data-related tasks. Accenture also adopted Microsoft Outlook for its e-mail client, together with other tools from the Microsoft Office suite of products.

The cost benefits of migrating to a single-platform architecture were significant. For example, Accenture was able to move from three distinct directory systems to a unified one, from more than four hundred Novell file servers to fifty Microsoft servers, and from 440 users per e-mail server to 2,500 users per each Exchange server.

In a similar vein, Accenture chose SAP as its worldwide application provider for financial and human resources solutions. Selecting a global provider and a "single-instance" platform represented a radical change for the organization. Under Andersen, it was not uncommon for every office to run its own financial and HR suite of products, necessitating costly specialized and local IT support for each application. The lack of integration in Andersen's financial and HR applications had also caused headaches for the company's consulting arm, turning the consolidation of financial statements, not to mention the global monitoring of cash flow and other critical tasks, into a complex and time-consuming endeavor. Furthermore, a lack of uniformity in HR applications made decisions difficult when the offices tried to plan how to staff globally for a pipeline of new projects.

Accenture also handpicked a few providers for its hardware needs. It went with HP and other suppliers for its computers and servers and with Cisco for all network-related equipment.

Amid its broad IT restructuring, the company decided to explore outsourcing alternatives for infrastructure- and IT-related activities that it thought could be managed more efficiently by specialized providers. For example, Accenture decided to outsource most of its data storage and backup needs and to appoint a third party to run its network infrastructure. Accenture's move toward server virtualization allowed the company to reduce its number of e-mail servers from more than 250 to 115.

Through the successful simplification of its IT infrastructure and the adoption of single platforms such as Microsoft and SAP to run key global processes within the organization, Accenture achieved important cost reductions in running its overall technology infrastructure. This trend, which began to bear fruit in 2002, had not since abated. One example of such reductions is the savings achieved in providing support to end users of Accenture technology. (See **Exhibit 6** for the cost reductions in Accenture end-user technical support.)

Under its new IT philosophy, Accenture sought to keep customized platforms and applications to a minimum. Systems were custom designed for those requirements only after two criteria were met: (1) if the requirements were of critical importance to the business; and (2) if a capable outside vendor was not available to meet those requirements through an existing application.

Accenture's approach and commendable track record in efficiently running its IT infrastructure became a great proof of concept for the organization's clients, who saw that Accenture "walked the talk" regarding its recommendations. As Accenture CIO Frank Modruson said, "Accenture technology consultants urge our clients to simplify and rationalize their IT wherever possible, so we have to be just as rigorous inside our own shop."

Running IT Like a Business: A Detailed Example

To see the impact of the decision to run IT like a business, it is useful to examine the results of the change in one particular area, such as its e-mail infrastructure. Seeking to maximize efficiency while maintaining appropriate levels of service, Accenture decided to run its e-mail infrastructure under a managed service approach. The new directive entailed fundamental changes in the organization. For one, several IT engineers were named managers of an internal product—not simply custodians of an IT application. As product managers, they became responsible for innovating around that particular product, as well as for offering different "flavors" for the product that would satisfy the various segments of internal customers in the Accenture organization. Under this managed service approach, every product offering was accompanied by different levels of service, each with a distinctive price point for the end user. Below are real examples:

- Previously, Andersen incurred high costs because of increasing storage space in consultants' e-mail accounts. To control this, e-mail services under the managed service approach were offered to each Accenture country in three varieties: 50, 150, or 500 MB of storage per account. Each level would be priced incrementally; company leaders in individual countries decided what they needed and were willing to pay.
- Application help was also offered in different flavors. At no cost, consultants with IT problems or queries could use the Internet to access a special help center with solutions and FAQs. Alternatively, consultants could opt to resolve IT problems by phoning an application specialist. Because Accenture applications had been standardized worldwide, an efficient number of telephone-accessible application specialists were now staffed in key areas around the globe, so they could be accessed 24/7. This type of IT help cost $20 per call, which was tagged to a specific consultant and charged to the consultant's country. If needed, personalized service was also available for certain critical applications. This service was, of course, locally staffed, and was billed to the office at $100 per incident.

Previously, consultants were accustomed to personalized in-office help only. This was expensive for Accenture, and most of the time offices were overstaffed with IT service people. After the new system was implemented, consultants learned to resolve their queries mostly through the online databases and were gradually trained to call or seek personalized help only when urgent or severe problems arose. Consequently, IT support costs for Accenture fell dramatically, while satisfaction with IT help improved slightly.

On the other hand, Accenture maintained a traditional approach to managing its core business applications. These were so critical to operating the business that their usage was practically inelastic to cost. It therefore made no sense to establish different levels of service for functions for which only the highest level of service would suffice. One example was the software that ran consultant staffing. Centrally controlled by the firm and globally deployed, it was required to operate core business by Accenture offices in every country. The cost of running this type of application was absorbed by Accenture as a whole.

Outsourcing within Accenture: Leveraging a Global Presence

Accenture was born in harsh economic times. The dot-com bubble had recently burst and the difficult events of 9/11 were soon to come. High-level executives remembered the intense pressure at the time for cutting costs at all levels, including in the IT department. Bob Kress, senior director of IT business operations, recalled:

> *I was in my office and would suddenly get a call from our CFO: "Bob, we need to cut $30 million out of our IT budget by next week. Call me Tuesday with ideas." During a six- to eight-month period this became common . . . I would get calls asking me to cut an additional $50 million, or an additional $20 million. As an organization, we were forced to become highly cost-conscious in our IT spend and also highly creative.*

One of Accenture's fundamental initiatives to reduce IT cost was outsourcing. Drawing from its experience providing outsourcing services to clients, Accenture went from being a company that placed its internal IT staff mainly in the United States and Europe to one that housed 68 percent of its IT personnel in lower-cost regions such as India, Southeast Asia (China, Philippines), and Latin America.

To increase staffing flexibility, Accenture also shifted to a "core-light" personnel strategy. By 2010, only 14 percent of Accenture's IT staff worked directly for the company as permanent employees, whereas a full 86 percent was "borrowed" via the Accenture Global Delivery Network (GDN) and the Infrastructure Outsourcing (IO) group. The GDN comprised more than 83,000 professionals at more than fifty delivery centers worldwide. By applying a systematic approach to processes, methodologies, tools, and architectures, professionals in the GDN delivered customized IT solutions under an offshore business model that "followed the sun" by enabling teams in different parts of the world to work on a project and, at the end of the workday, pass it along to the next team in the global chain. Accenture had leveraged its GDN not only as a revenue-generating service for clients but also as a critical core skill that the organization used to respond to its own IT needs in a cost-efficient manner.

Accenture's IT steering committee faced important strategic choices when deciding what to outsource and what to retain in-house. To make a decision, Accenture divided activities into different buckets: processes that provided a differentiating competitive core; processes involving highly confidential information; and processes involving tasks that were repetitive and, although important, could be considered common in any services firm.

The decision then became easier. Accenture was open to outsourcing rote IT tasks to capable providers. At a basic level, these tasks included data-center management, storage, and hardware maintenance, among others. At a more sophisticated level, Accenture began to outsource the development of most of its IT applications. Qualified centers from Accenture's GDN were selected for the task. Because this front was deemed strategic, project management and functionality guidance were maintained in-house. Highly confidential activities were either kept in-house or taken to centers that could handle information in a strictly secure manner.

As outsourcing matured, Accenture continued to seek opportunities to leverage economies of scale and of location. For example, the firm initially set up facilities in Madrid to train specialists in routine but important SAP-related tasks such as invoicing and billing. A few years later Madrid had become comparatively expensive, so Accenture looked to Argentina for delivering the same service at a fraction of the cost. Kress explained:

After the bubble burst, we started to follow a philosophy that sought flexibility as well as cost efficiency. We could be more flexible to ramp our IT force up or down if we outsourced it. Of course, we retained the project management talent and our brightest thinkers, but coding itself—we knew we could do that very well in Asia.

We also subscribed to a philosophy that for every IT initiative there should be a learning curve. Specifically, we expected IT managers to lower the cost of the department they ran by 10 percent every year. It was an aggressive target, but it certainly kept us creative—and kept us on our feet. Management knew they were pushing us, so they were open to initiatives that required some investment—such as establishing an invoicing center in Argentina—so long as payback could be achieved in less than three years.

Enterprise Applications: The Big-Bang, Single-Instance Approach

After Accenture become a public company, it required a more integrated approach to financial management, one that would meet GAAP standards and other compliance and regulatory requirements. Accenture was also eager to align its operating goals to the metrics used by investors and analysts. With more than two hundred different finance applications around the world, the company found that sharing information, updating data, and conducting in-depth analysis had become challenging. Legacy financial management systems impeded the development of the strongest possible operating model.

Accenture took a fresh look at its financial processes. Accenture's finance organization, with help from other groups, defined best-in-class financial practices for key business processes. To support the new financial processes, Accenture sought an advanced, Web-enabled enterprise technology solution, one that offered greater flexibility, centralized control, robust reporting, and an ability to integrate the finance organization with other critical corporate functions.

SAP's business technology was the logical choice for Accenture, as it offered features that aligned well with Accenture's existing business processes. Accenture already had vast experience with SAP implementation. SAP's repertoire of proven system-integration practices, solution-delivery methodologies, and other tools and approaches contributed significantly to a smooth transformation. Accenture implemented SAP using Microsoft technologies, which followed naturally from the earlier strategic decision to migrate Accenture's core technologies to Microsoft platforms. The result was reduced technology costs and better integration across its entire financial environment.

At the time, Accenture's transition was among the largest SAP implementations in the services sector. Accenture used its global delivery approach to bring together skilled, multi-disciplinary professionals who played critical roles at the right stages in the program. By the time the SAP financial management system went live in September 2004, more than 2,500 core users were trained and ready to use it.

Training was an important part of the transformation strategy for higher productivity and efficiency of system users. The integrated system delivered efficiency and accuracy, enabling Accenture to centralize some of its financial processes and to leverage its own outsourcing capabilities to handle its growing business. The ability to change the system and have that change

reflected instantly was a quantum leap from the days of rolling and consolidating changes through more than two hundred legacy financial applications. In addition, it gave senior executives insights into company financials that drove Accenture toward higher performance.

Accenture had to overcome the challenge of convincing group business leaders to migrate their customized local applications onto (1) a standard platform, and (2) a single global "instance" of that platform. This single global instance necessarily entailed some compromises in meeting all local business unit requirements. It was decided, however, that multiple instances (and platforms) would make future upgrades of the platform overly complex. Moreover, managing so many applications would create cross-platform compatibility challenges that would revive every time any of the separate applications was updated.

With a single-instance, single-platform application, on the other hand, the cost and time needed to upgrade, maintain, and integrate applications was drastically reduced, providing Accenture with a great deal of agility. As a side benefit, its decision to pursue this approach also led to a stronger relationship with SAP and Microsoft, providing Accenture with enough buying power to get dedicated support from both global vendors.

In implementing its single-instance platform, Accenture faced challenges that in retrospect helped it identify two additional principles:

- It was important to stay current on mission-critical applications. When applications were not mission-critical, upgrades were analyzed based on a "if it needs to be done, and if it needs to be done now" basis. As Kress put it:

  Unless there is a business or technical need, we choose not to upgrade non-critical applications. All applications need time to stabilize. We have found that the more you change an application, the more problems you have and the more costly these are to solve. If we can ride an application for two or three versions without a significant impact in its functionality, we will do it.

- A project-approval process driven by business benefits and return on investment (ROI) ensured that the right projects were undertaken at the right cost. Sometimes, though, there were exceptions to the rule. For some projects, it was hard to come up with a positive ROI unless substantial "soft benefits" were included. In those scenarios, management could rely on strategic judgment, even if the numbers did not wholly justify the investment. It became common at Accenture to make investments with a long-term view, using today's budget in a way that would benefit the organization several years down the line.

Pamela J. Craig, Accenture's chief financial officer, summed up the transition:

By implementing a global ERP system, we run our business much more efficiently. We have a single system for the entire company to rely on, with improved access to information, greater standardization and control, plus the ability to respond to future needs—all at a lower cost. This helps us run Accenture as a high-performance business.

Culture Shift: New IT Governance in Action

Accenture also implemented a new governance system to administer its IT decisions going forward. The new approach required high-level management and Accenture's senior IT staff to work together in defining the IT horizon for the coming fiscal year, as well as in updating the strategic direction of IT for the next three years. (See **Exhibit 7** for Accenture's governance structure.)

Prior to the establishment of the IT steering committee, each division of the organization fought hard to get its own IT projects approved in an unstructured, often haphazard process. Under the new governance, a steering committee was chaired by Accenture's CIO and included the chief operating officer of every line of business. One of the committee members recalled:

> *The steering committee meetings were taken very seriously; if a COO could not attend, he or she would have to delegate upwards—that basically meant delegating to the CEO. As you can imagine, few people missed the meetings . . .*

Under the new IT governance, the IT project selection philosophy changed dramatically. In the words of Kress:

> *Before, project prioritization pretty much answered to the call of "whoever screams the loudest wins." After the establishment of our steering committee, decisions became disciplined in both ROI terms and strategic terms. At the steering committee we ask the COOs to always wear two hats: one representing their area and projects, the other representing Accenture as a whole. We look at each initiative with both hats and prioritize it according to what would create the most value for Accenture. This approach allowed us to see IT commitments long term and within a broader context, where sometimes one project was approved because it would complement another. Whenever we had doubts, I remember the group asking itself, "What would we recommend one of our clients do?" That is what we went ahead and did.*

A formal process was further established to present an IT project to the steering committee. All projects had to have a senior business sponsor, typically a member of the committee, whose duty was to convince other members of the business value in the proposal he or she championed.

Interestingly, the sponsor's role did not stop with the proposal. If a sponsor's project was approved, he or she took responsibility for extracting the claimed value from the project. How was this measured? First, any IT initiative presented in the committee had to be accompanied by a clear ROI analysis, which was thoroughly debated and, if needed, adjusted. Second, approved projects were subject to an annual audit for three years. The audits sought to verify that the projected value effectively had been created. The audits also sought to calibrate Accenture's ability to predict value creation in IT initiatives by comparing predicted value to realized value and learning from mistakes that created a disparity between the two. Furthermore, audits sought to keep both the business sponsor and IT team "on their feet," proactively managing the project well after it was approved. Modruson recalled:

> *When we first proposed an ROI methodology for presenting projects to the steering committee, we heard lots of excuses like, "It's too complex." More pushback arose when we explained that not only would an ROI need to be submitted, but there would later be a audit on whether the return was in fact achieved or not. Here, many managers*

complained they "did not have time to audit." But there was firm backing from high above the organization, and the new method stuck. Now that it has been in place for several years, people realize there are many opportunities in an ROI analysis. If their projects create value, they will be accepted, independent of the politics. If managers are able to extract value from an application, they will create a track record that allows them to continue promoting new projects within the steering committee.

IT Transformation at Accenture

Accenture undertook an exemplary journey in transforming its IT capabilities. As the firm's global workforce more than doubled in size from 2001 to 2008, its IT organization managed to reduce its spending per employee by 60 percent and reduce IT's overall expenses as a percentage of net revenue by 58 percent, all the while increasing the satisfaction of Accenture professionals with the IT tools and services they received. (See **Exhibit 8** for IT transformation results.)

Modruson summarized the impact of this transformation:

We needed to build a single infrastructure that was global, scalable, and secure. We focused on providing "anytime, anywhere" access for all Accenture people and for all IT products and services. Whether our employees were at home, in the office, visiting a client, in an airport, on an airplane, or in a hotel . . . we knew that our technology needed to look the same.

Changes of this magnitude in a global enterprise are uncommon, and several key success factors made invaluable contributions. Chief among them were Accenture's effective leveraging of globalization and its cross-border labor arbitrage. The organization decided to engage in IT infrastructure outsourcing, use offshore centers for application development and customer service, and implement business process outsourcing for critical but routine tasks such as customer billing and invoicing.

Additionally, Accenture made fundamental changes in managing its IT infrastructure. It decided, for example, to simplify its IT platforms and, wherever possible, deal with single global vendors. Although this diminished Accenture's negotiating power with providers—and probably made the organization more dependent on its large business partners—it dramatically simplified the running of its infrastructure, generating economies of scale and, ultimately, important cost savings.

Accenture also leveraged its ability and experience to effect a single-instance, big-bang implementation of SAP across the globe—perhaps one of the largest implementations of its type for a service organization. The risky move faced significant pushback from global offices more familiar with customized platforms, but Accenture skillfully communicated the ways in which the new platform would drive cost competitiveness worldwide. Ultimately, this strategy freed important IT resources that could be used in more strategic projects.

Finally, Accenture worked to change engrained habits and become a ROI-oriented, disciplined organization when it came to allocating IT budgets. Garnering support from C-level executives, it established accountability schemes for all IT initiatives via business sponsors, requiring that IT project proposals be accompanied by ROI projections and performing post-implementation audits on IT projects to make sure they delivered the value they promised.

These improvements reflected Accenture's determination to run IT like a business, managing a nimble and flexible IT department with some of the lowest per-employee costs in its sector, without sacrificing the quality or inventiveness of the technology tools it offered to its consultants and clients.

Accenture was now engaged in capturing the full value of this transformational change. Modruson described the next stage in the journey:

> *Our transformation made our IT operations more effective and also introduced new capabilities we simply did not have before. Take collaboration as an example. By introducing a single global infrastructure, we expanded our network bandwidth, and this has enabled us to build out new tools such as our Telepresence videoconferencing capability. These high-quality facilities in every major Accenture office are already generating significant savings for Accenture, not to mention reducing the wear and tear of travel on our employees. Simplifying and refreshing our infrastructure was the necessary prerequisite for these and many other collaborative technologies we are introducing to the global Accenture workforce today. So Accenture's transformation journey is a story that does not have an ending. We come into work each day looking for the next new innovation we can deliver to our internal customers, and to Accenture clients around the world.*

Exhibit 1: Accenture IT Organization, 2009

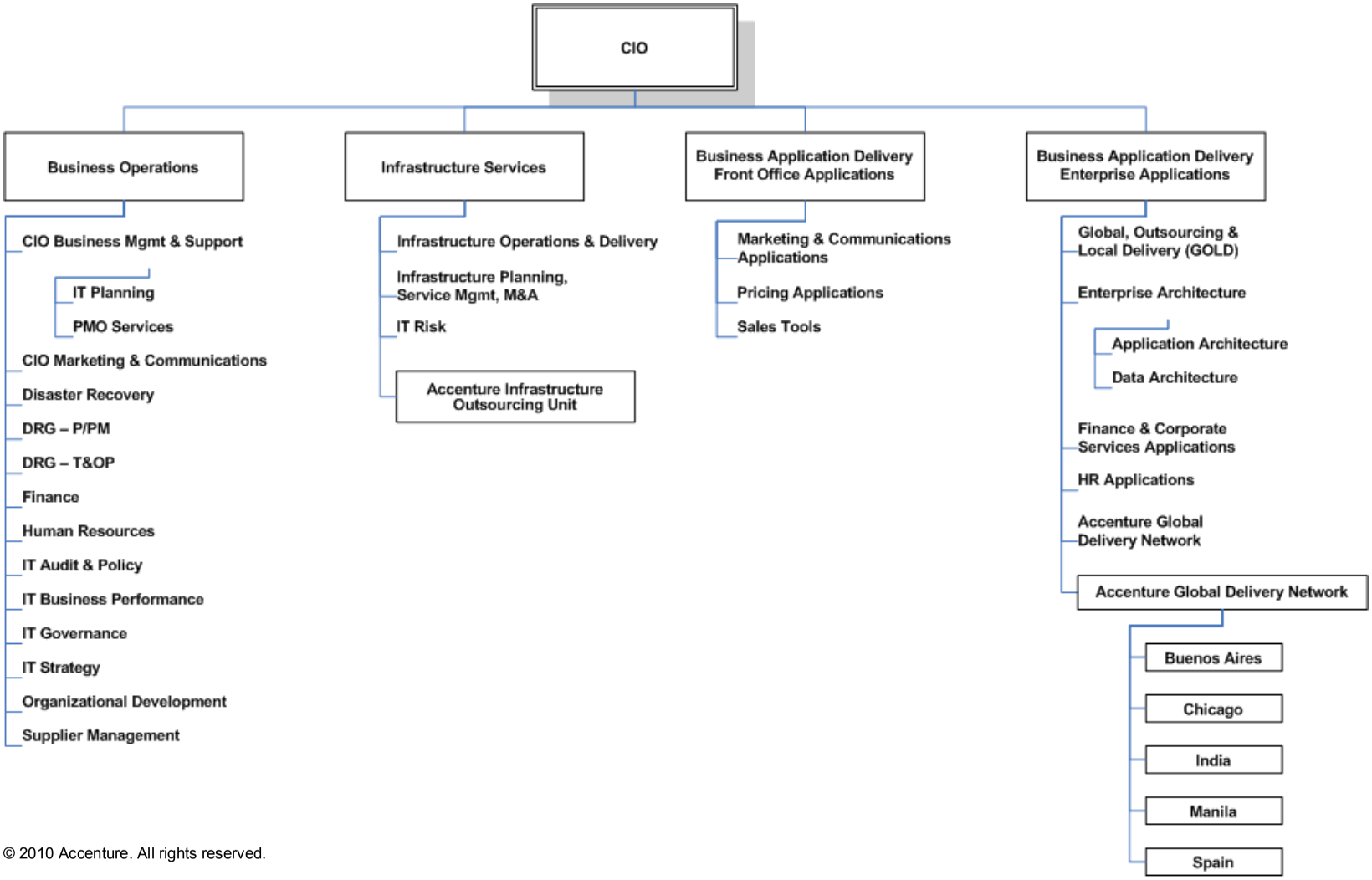

Exhibit 2: Accenture IT Systems Prior to the Transformation

Each capability had a distinct IT architecture; the 2,000+ applications had no overall enterprise architecture and were siloed in functional areas.

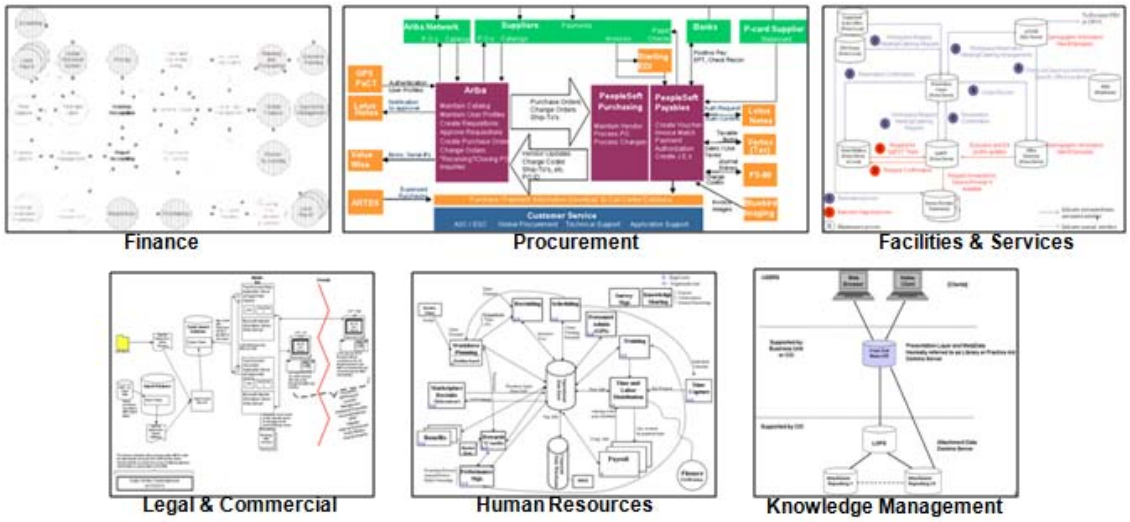

Exhibit 3: IT Transformation Program Timeline

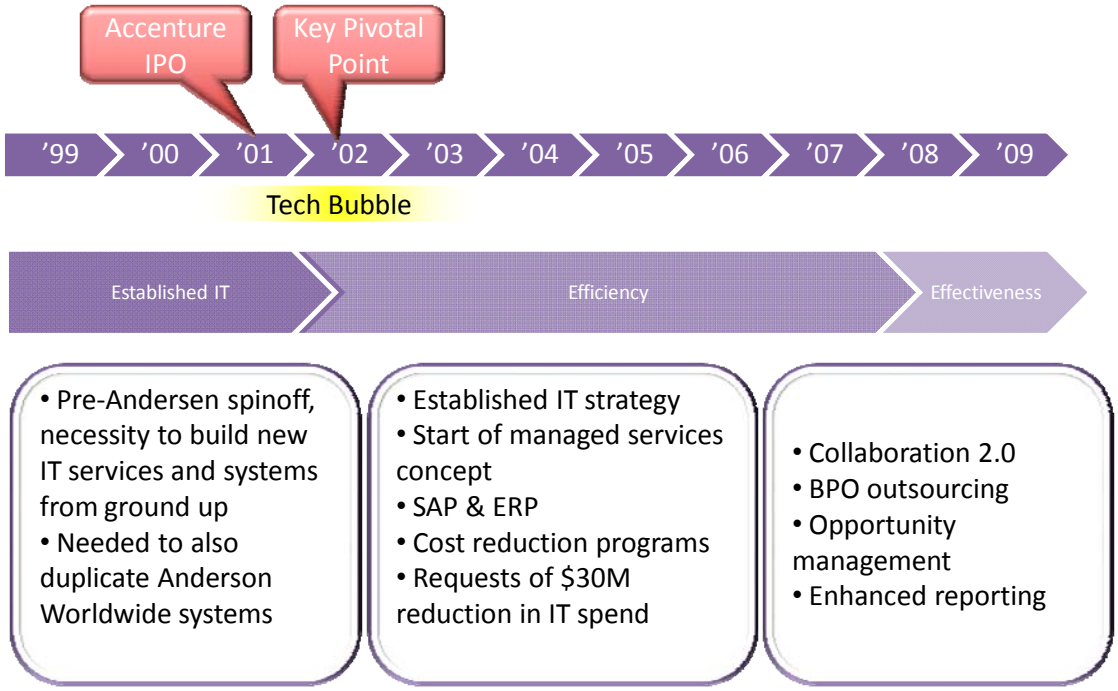

Exhibit 4: Accenture IT Steering Committee

Operating Groups	Growth Platforms	Corporate Functions & Geographic Services
Products, COO	Management Consulting & Integrated Markets, COO	Growth and Strategy, Managing Director
Public Services, COO	Outsourcing, COO	Finance, COO
Resources, COO	Systems Integration & Technology, COO	Human Resources, COO
Financial Services, COO	CTO	Geographic Services, COO
Communications & High Tech, COO		

Exhibit 5: Accenture Transformed Enterprise IT Architecture, 2009

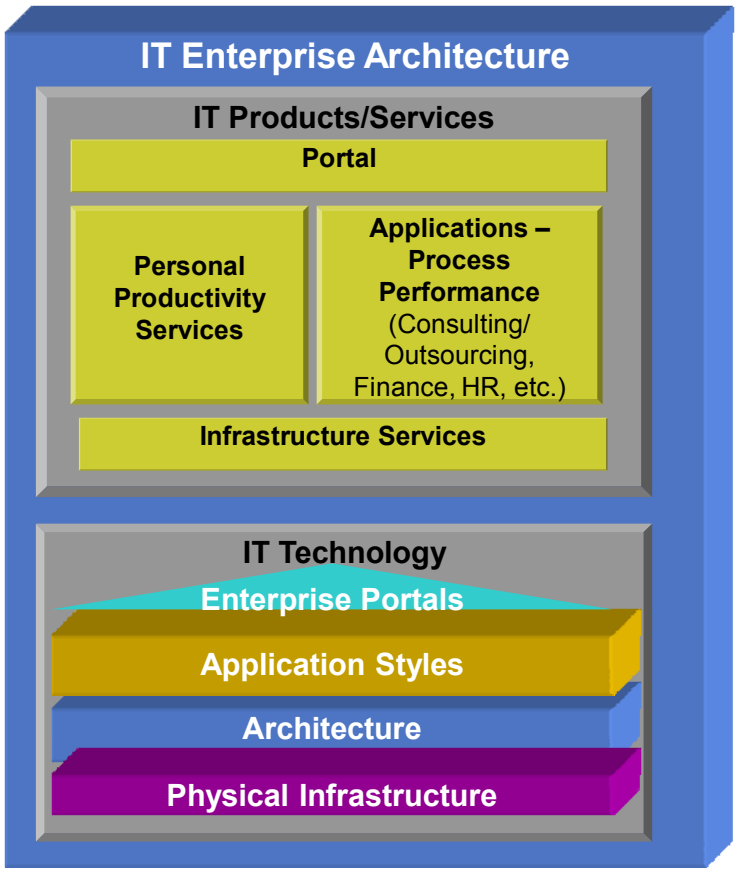

Exhibit 6: Cost Reductions in Accenture End-User Technical Support

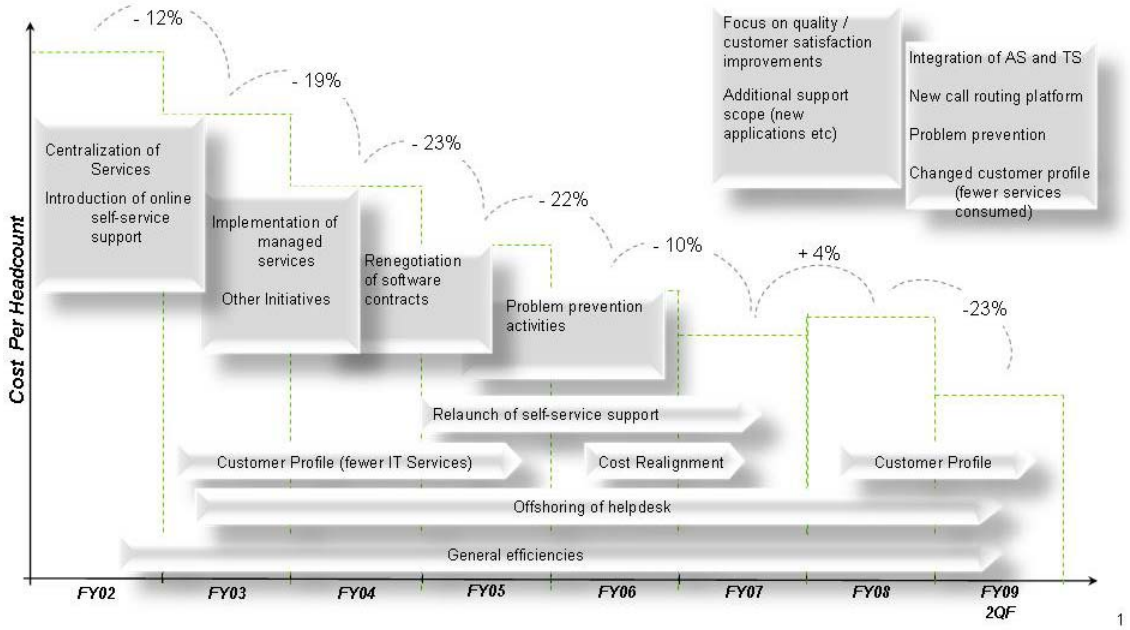

Exhibit 7: Accenture Governance Structure

	Key Decision Areas	Capital Committee	COO	ITSC	CIO	Business Sponsors
Strategy and Structure	**IT Strategy** (including policy formation, Strategic Scorecard, etc.)	I	C	A	R	C (their portion)
	Enterprise Architecture (including IT standards)	–	C	A	R	C (their portion)
	IT Organization	–	A	C	R	–
Multi-Year Planning	IT Initiatives (categories & budgets)	A	C	C	R	R (their init.)
	IT Product & Service Plan (incl. Global / Local accountability)	–	C	A	R	C (their portion)
	IT Strategic Sourcing Plan	–	C (exception)	C	A/R	C
Annual Planning	FY IT Priorities	–	C	C	A/R	I
	FY IT Initiative Plan	–	C	A	R	R
	FY IT Operating Plan	–	A	C	R	C (their portion)
	FY IT Capital Plan	–	A	I	R	C (their portion)
Execution	Variances, Changes, Issues—Performance Targets and Plans	–	C (> $10m)	A (> $1m)	R	C (operating) R (initiative)
	Benefits Realization	I	A (overall)	I	R	A (initiative)/R

A = Accountable R = Responsible C = Consulted/Participated I = Informed

Exhibit 8: IT Transformation Results

2001		2010
75,000	Employees	180,000
$11.44 Billion	Revenue	$21.6 Billion
67%	% of Satisfied Sponsors	86%
	IT Spend in $	Reduced by 22%
	IT Spend as % of Revenue	Reduced by 59%
	IT Spend per Person	Reduced by 69%
0	Sourced IT Staff	2,900
600	Global Applications	356
1,506	Local Applications	195
Multiple	Technology Platforms	One
Not Measured	Benefits Realized	111%