

By Jeff Cerny

Like gold and real estate, IT transformation at Accenture is continually adapting to the new economic playing field. Business Operations Director Bob Kress has become very focused and deliberate, to the point of developing a roadmap particularly relevant in a tough economy. He manages a \$700 million global IT operation, but many of the observations he makes can be applied to any company's IT department. His insights are the topic of his new book *IT Governance to Drive High Performance*. This interview is a follow-up to our conversation of a year ago, when Bob described how he has made IT at Accenture more visible. Here's a summary of our latest discussion.

1. Jeff: To set the stage, we've seen a lot of prognostication on the economy lately, primarily from economists and politicians. For the most part there's either pessimism or uncertainty, or both. The general response that's been required from most businesses and individuals is a belt-tightening of one form or another. Even the positive news we're hearing seems to suggest that a complete recovery could still be some time off. From your perspective as an IT leader, what expectations you have and what effects do they have on the way you manage technology?

Bob: Now more than ever, IT needs to make things more efficient and productive and take advantage of new technologies that can save on costs or make the business more effective. At the macro level, all business areas are looking for ways to be more efficient, which pushes us to use the technology we have in different areas.

The other thing that runs somewhat counter to that thinking is expanding our investments into new capabilities. Even with the downturn, we have continued making investments, which will help us take advantage of the marketplace as it turns around. For example, we've made significant investments over the last few years in collaboration technology. We're in the knowledge business, so we've made it easier to collaborate and increase the availability of expertise virtually with tools like high-end telepresence and Office Communicator.

2. Jeff: When we talked last, a large part of your emphasis was on running IT like a business, which makes sense even in good times. How has that changed in the continuation of this struggling economy?

Bob: The importance of running IT like a business is greater now than it has ever been. The key is understanding the business strategy and priorities and then providing technology that aligns with them. In a difficult economic environment, there is less room for waste and slippage, so we need to focus our capabilities on supporting key business objectives.

3. Jeff: In technology, "becoming more efficient" has connotations of becoming more centralized, eliminating redundant functions, and essentially knocking down the number of applications out there. What are the main challenges of trying to consolidate on a large scale?

Bob: If you're looking at the kind of centralization and standardization path we have followed, it's critical to understand your organization's enterprise governance. I talk to a lot of executives across a range of industries and government entities, and some are very decentralized among the divisions and businesses in their governance model. There is still potential to become more efficient with standardization, but not to the extent possible with more centralized governance. The important thing is to stay aligned.

Even in a more decentralized model, I believe there are opportunities to standardize and consolidate IT, particularly at the lower levels of the technology stack. What I find is even those autonomous businesses don't particularly care if they are on one or multiple networks or datacenters, as long as there is a commitment to the right service levels. As you move up the stack into the application layer, that's where you see different application suites that allow them to differentiate between their businesses.

Accenture has a very centralized model across our businesses of consulting, systems integration, and outsourcing, and we have standard business processes across everything from human resources to finance to sales. So from an IT perspective, it's a perfect environment for us to standardize the technology that underpins it. As long as we remain sensitive to what is truly global versus what is unique to the business, it allows us to meet our specific business needs efficiently.

4. Jeff: Another area that comes up in the economic discussion is outsourcing, ranging from applications like using the cloud for customer relationship management, as with salesforce.com, or having functions from your service desk to developers working out of China or India. How does this fit into the picture at Accenture?

Bob: We take our own advice, so within our internal IT department we've outsourced all of our infrastructure service delivery to our go-to-market outsourcing unit. That includes running our network, our datacenters, our technology support desk, and so on. From a headcount perspective, we've outsourced 85% of our application development and maintenance to our go-to-market units, which provide those services to the external marketplace as well.

To your point about the salesforce.com example, we also do application sourcing externally. A good example of this is payroll, which for us includes about 50 countries with unique country regulations around compensation. I don't know of any truly global payroll providers out there today, and we've outsourced that function in each of the countries where we operate. From a total cost of ownership perspective, that makes perfect sense for us.

5. Jeff: One of your secrets of managing the overall investment in IT has been to take what you describe as a "portfolio management approach." What exactly does that entail and what benefits do you see from it?

Bob: We use multiple levels of portfolios. The top level consists of five investment portfolios, which include legal and regulatory, company-wide, individual business unit, corporate function (finance, legal, etc.), and finally IT, which includes datacenters and networks and things to improve our technical capabilities.

The second level is around business capabilities such as sales, human resources, and outsourcing. As an example, if part of our emphasis is on productivity and reducing cost-to-serve in the outsourcing business, we need to understand how our technology investment matches up with that.

The portfolio levels make the spending of our technology dollars more visible and conscious decisions, which is important in this economy. Investment requests are reviewed and prioritized by our IT steering committee, which ensures alignment with business priorities and what will generate the most value for Accenture. Going into our detailed business case reviews, we use portfolio guidelines to inform the decision-making process.

6. Jeff: A couple of months ago I talked with Anthony Abbatista from Allstate about its award-winning new green datacenter in northwestern Illinois. In terms of Accenture's datacenter efficiency and carbon footprint, how has the management of your datacenters played into your economic roadmap?

Bob: An early part of our roadmap was the datacenter consolidation we did four or five years ago. We went from more than 40 datacenters with more than 200,000 square feet of floor space down to five datacenters with half that square footage. In that downsizing, we saved a tremendous amount of money, and at the same time improved the overall reliability of the hosting services we were providing through a focusing of our high-skilled management talent.

Interestingly, I was just talking to someone at a government office last month who said they have 17 data centers, and as they were looking at the numbers, they really didn't need more than two. But because of the politics and resistance to change, they had been stymied in their efforts to consolidate. Now in light of the economic climate, it has come back on the radar because of the need to reduce their cost structure. So sometimes the economic pressures can create an opportunity to get things done that might be more difficult in good times.

7. Jeff: What significance do the benefits of large-scale virtualization and cloud computing have in your roadmap?

Bob: Without a doubt, most companies have significant potential to realize a return on investment from using cloud and virtualization technologies, especially in these last few years. For any given organization, the size of the prize is going to relate to how aggressively it has been taking advantage of these areas all along. If a company hasn't consolidated its datacenters or virtualized its environment, going to either an internal or an externally hosted cloud is going to be significant. In our case, we've been aggressively virtualizing our hardware, including our server environment as well as storage and database environments. We're now running more than 1,200 virtual machines on 80 physical servers. Five years ago, those would each have been on an individual physical server. We're an SAP ERP shop, and by using storage virtualization, we've reduced our SAP storage by 60 terabytes, which is an enormous savings for us. So when we look at cloud computing, we've essentially already created our own internal cloud. There are still some external cloud opportunities for us to consider, but not as many as for some companies that haven't pursued virtualization the way we have.

8. Jeff: People are saving money these days by taking advantage of triple-play bundling packages with their home service providers -- putting their phone, Internet, and cable with the same carrier. What benefits did you see from combining your data and voice together on one channel?

Bob: What we did is similar to that, combining our data and voice to a single network, which has allowed us to save on costs and provide greater capabilities. All our data and voice traffic is on one MPLS backbone, and our network cost has gone down by more than 20 percent.

We took a three-phased approach to making the transition, part of which was in parallel. First, we built the foundational capabilities for the network, like enabling IP telephony and quality of service on the network to distinguish the types of traffic. We also beefed up our network capacity and performance management capacity. Then, we looked at things we could do toward cost savings, and finally at the areas where we could bring new end-user capabilities. For cost savings, we looked at MPLS as our network protocol, telecom expense management, including automated review of communications bills and IP-enabled audio conferencing.

In finding ways to do more for our people, we wanted to enhance our collaboration capability with high-end telepresence to dramatically reduce travel costs as well as increase the convenience for our people. This technology makes it just like being there sitting at the conference table -- perfect clarity in both the audio and video. We've moved all our locations over to IP phones and MS Office Communicator, which means you always know when someone is available. With one click you've got secure instant messaging. A second click escalates to an audio or video call, and another click shares your desktop. This has enabled our people to be much more connected both on virtual teams and with client situations. The savings in travel time and fares alone, not to mention the related per diems and accounting costs, is very significant.

9. Jeff: Along with reducing costs, the current economy has led companies to put more emphasis on customer satisfaction, both in accurately measuring and improving it. Has there been an increased emphasis for you in this area?

Bob: At the first level are customers who are clients of Accenture. Then second, we have customers of our internal IT, which are essentially the rest of the company. From an external perspective, it has always been a top priority to understand customer needs and deliver the best quality services. I can tell you that the telepresence and Office Communicator capabilities have allowed us to meet customer needs more quickly and completely. They enable us to provide more specific expertise at a given time of need than we have ever been able to achieve before.

For the sponsors within the company, satisfaction levels have continued to increase over the last two years at the same time we have been tightening our belt on IT spending internally. Our sponsors are the 200 to 250 most senior people in the company who buy our products and services from us. Our most recent sponsor survey, completed in March, shows an 89% satisfaction level with our products and services. That's an all-time high. We also survey 1/12 of our end users on a monthly basis to get a continuous picture of all the services we provide.

10. Jeff: For other IT leaders struggling to run a leaner business and not let the economic uncertainty and pessimism take its toll in further reducing their workforce, what kinds of broadly applicable recommendations can you make for saving jobs?

Bob: Several things would come into that group -- for example, supplier and contract management. We've consolidated suppliers and combined contracts to get visibility to our total spend and put more rigor and discipline around both contract renewal and upfront contracting. In being able to negotiate better terms and conditions through fewer suppliers, our savings has been in the tens of millions of dollars. It takes less time and energy to manager fewer suppliers, and it simplifies the solutions we are providing and the skills we need to support those solutions, which makes the savings somewhat cyclical.

Another area is reengineering in our delivery processes and in our channel mix, or how we deliver. Six or seven years ago, we relied on in-person support for technology issues. We've been able to cut costs dramatically by automating many of our support processes and relying more heavily on our global helpdesk and e-support channel, which is in the single digits in terms of dollars-per-incident.

One final thing is that simplifying our architecture, platforms, and applications has actually provided greater flexibility and allowed us to introduce new technology capability much faster than we could if we had a best-of-breed approach. We have a single global workstation image, which has reduced the complexity and cost of our routine support and testing. As an example, we were able to roll out our single sign-on across our application base around the world in about four months, in contrast to companies I know where it has taken years to deploy it in a best-of-breed environment. The power of simplification has become a great advantage for us.

Bob Kress is the Executive Director of Business Operations at Accenture and has recently written [IT Governance to Drive High Performance](#) (March 2010). Since 2001, the company's operating profits have tripled to \$2.6 billion.

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