Global Survey: What’s creating tension between IT and business leaders?
April 2014
Executive summary
If the marketing department is making its own decisions about an email marketing service, shouldn’t it also be responsible for ensuring that the chosen technology integrates seamlessly and securely with the company’s customer relationship management (CRM) database? And if problems arise after the marketing team starts using it, is it up to IT experts to troubleshoot them or is the marketing department left to fend for itself?

New data shows a real tension between IT and the broader business as budgets and control move outside the traditional IT department. Executives consistently see evidence of it: more employees are choosing to use their own devices including mobile phones, laptops and tablets to do work-related activities. At the same time, employees are still expecting IT to be responsible for making everything work together — ensuring they can connect seamlessly and securely to the workplace infrastructure. So today, IT has less control over important areas of technology adoption, but is still accountable for the impact these technologies make on a company’s operations.

For the first time, a global survey of 1,003 C-level executives, business unit leaders and IT decision-makers quantifies the evolving mix of responsibility and control that leads to new tension between IT and the business.

The February 2014 survey, commissioned by Avanade, found that 37 percent of technology spending is now controlled by departments outside of IT.

But that doesn’t mean the CIO’s role is fading — instead, the study revealed new boundaries for IT departments in the digital world. Rather than keeping a finite list of traditional operational responsibilities, survey respondents now expect IT to look inside and outside the organization to identify new innovative technologies that will enable employees to be more effective; to broker third-party services for employees, and to enlist new skills from independent service providers. By playing these new roles, the same respondents — especially C-level executives — expect IT to wield greater influence in the enterprise over time.
• There is real tension between IT and the broader business as budgets and control move outside the traditional IT department. In an increasingly digital world, departments outside of IT are taking budgets and decisions into their own hands. Thirty-seven percent of budgets allocated in 2014 for technology investments are now controlled by departments other than IT while 71 percent of C-level executives and business unit leaders believe they can make decisions for their department better and faster without the involvement of IT staff.

• As a result, the role of IT is changing and new business skills are helping staff make the shift. The role that IT plays is shifting to a business advisor role by providing IT best practices and consulting expertise to both internal stakeholders and external partners. Eighty-three percent of respondents said they are comfortable with IT staff interacting directly with important customers and partners in a consultancy role. To be even more effective, C-level executives say IT will need additional skills in cloud services (44 percent) and service and systems integration (43 percent).

• But the challenge of “two-speed IT” is hampering this shift as time spent managing legacy systems continues to distract IT staff. Today, 36 percent of IT staff’s time (or 14.5 hours/week) is spent managing and maintaining legacy systems while 67 percent of global executives report that IT will spend the same amount of time or more maintaining these systems in 2014. This legacy commitment has a consequence and fewer than one in four executives say IT staff regularly suggests new technology solutions on their own.

• New models are emerging — the Services Broker model is taking hold and will accelerate. More than one-third (35 percent) of companies’ IT departments act primarily as services brokers, sourcing IT services (often cloud-based) from inside or outside the company to solve business problems. And the role of services broker is accelerating. Among companies whose IT departments act primarily as brokers, 58 percent report they will expand the role of the IT department as services brokers in the next 12 months.

• Armed with a new approach and strategy, businesses expect the influence of IT to grow, new IT skills to be in demand, and new outside partners to drive IT initiatives. Sixty-eight percent of C-level executives, and 63 percent of business unit leaders, expect the IT department to have more influence on technology decisions in the future.
Avanade’s survey showed that more than one-third of a company’s total technology purchases are made by business people who do not report to the CIO. Why?

**Need for speed changes where tech buying happens**

Today departments outside of IT are taking technology spending and decision-making into their own hands. Consider this: Avanade’s survey showed that more than one-third of a company’s total technology purchases are made by business people who do not report to the CIO. Why? Because in an increasingly digital world, 69 percent of business unit leaders believe they can make technology decisions for their department better and faster without the involvement of IT staff. C-level executives feel even more strongly about this statement — 79 percent of C-level executives believe they can make technology decisions better and faster than IT staff.

This need for speed is having a measurable impact on IT’s control over technology spending. Thirty-seven percent of budgets allocated in 2014 for technology investments are now controlled by departments other than IT.

This trend is taking hold at the vast majority of companies. Ninety percent of companies surveyed have non-IT business departments that are partially or wholly responsible for technology decisions. These departments include operations (44 percent), engineering and development (37 percent) and finance (36 percent). And the decisions they are making are traditionally IT-managed decisions including, for example, the adoption or management of infrastructure solutions (30 percent), maintenance and support (29 percent) and mobility solutions (28 percent).

At the same time, more than two-thirds (68 percent) of IT decision-makers feel that their IT department is still responsible for technology usage, spending and managing security risks. And yet IT lacks the control to manage these effectively throughout the organization. Little wonder that this loss of control is creating real pressure in the IT department.

**A new role for IT emerges amidst same old demands**

The role of IT is changing and new business skills are helping staff make the shift. IT is increasingly playing the role of business advisor by providing IT best practices and consulting expertise to both internal stakeholders and external partners.

A surprising majority, (83 percent) said they are comfortable with IT staff interacting directly with important clients and partners in a consultancy role. This percentage is highest in the C-suite — 90 percent of C-level executives would put IT staff in front of important clients in this consultancy role. And 66 percent of companies plan to expand the role IT plays as business advisors in the next year. To make this shift, business leaders want IT to build skills in key areas that will help them source technologies that solve business problems for employees, customers and partners. C-level executives report a need for more skills in cloud services (44 percent) and service and systems integration (43 percent).
Additionally, a new “services broker” model for IT appears to be taking hold with the promise to accelerate the transition by IT staff to business advisors while easing the drag of traditional maintenance tasks. In the role of IT services broker, IT staff consults with non-IT colleagues to understand their business needs and objectives. IT then sources technology services (often cloud-based) from inside or outside the company to solve business problems, rather than building or maintaining home-grown IT solutions.

More than one-third (35 percent) of IT departments act primarily as services brokers today. And the role of services broker for corporate IT departments is gaining momentum. Among companies whose IT departments act primarily as brokers, 58 percent report they will expand the role of IT services brokers in the next 12 months.

Despite this new model, most IT departments are wrestling with a phenomenon known as “two-speed IT” — where IT staff must balance the support of legacy systems with the need to continuously innovate in order to solve business problems.

Even with new customer-facing opportunities, time spent managing legacy systems continues to be a distraction for IT staff.

Thirty-six percent of IT staff’s time is spent managing and maintaining legacy systems — that’s an average of roughly 14.5 hours each week simply maintaining systems that are already in place. This problem isn’t going away, either. Sixty-seven percent of global executives report that IT will spend the same amount of time or more maintaining these systems in 2014.

This legacy commitment has a consequence. Fewer than 25 percent of executives say IT staff regularly suggests new technology solutions on their own.

What companies need to be successful

As IT takes a new approach to the business, survey respondents expect the influence of IT to grow, new IT skills to be in demand, and new outside partners to drive IT initiatives. Ultimately, executives, business managers and IT staff universally see IT contributing more to accomplishing core business objectives.

But the good news is that as IT adds new skills, 68 percent of C-level executives, and 63 percent of business unit leaders expect the IT department to have more influence on technology decisions for the future.

Likewise, as IT departments increasingly become services brokers, they must strike new partnerships with independent service providers. More than half (55 percent) of C-level executives plan to partner with an outside service provider to staff security specialists, developers and systems integration specialists. Finally, as companies plan expanded IT roles, they believe IT staff generally have the needs of the employees in mind — a vast majority of C-level executives (71 percent) say the IT department today has “an employee-centric culture.”

36 percent of IT staff’s time is spent managing and maintaining legacy systems

This legacy commitment has a consequence. Fewer than one in four executives say IT staff regularly suggests new technology solutions on their own.
The bottom line is that all this tension might just be good for both IT and the business. As companies plan expanded roles for IT staff, the clear majority (68 percent) of these same companies report their IT departments contribute more to accomplishing the objectives of the business than they did just three years ago. And that’s something to be optimistic about.

Views from an IT advisor
Avanade researched the shifting balance of control between IT and the larger business and found significant changes as presented in this report. The good news? Change, while uncomfortable for many organizations, can be healthy.

We consistently see these trends play out as customers start their journey to become a digital business. Those who embrace changing roles, skills and relationships in their daily jobs are forcing themselves to adapt, improve and innovate. We’ve come to identify three recurring strategies in some of the most progressive customers that we work with:

• IT as a services broker
• Innovation at the edge
• People-centric IT function

IT as a services broker is a model which sees IT acting as consultants to the business, understanding business needs and objectives and then sourcing technology services from both internal and external partners. As more business resources and technology infrastructure migrate to the cloud for online delivery, the most progressive IT departments that operate like services brokers will continue to expand their remit and offer more strategic value to their business partners.

Innovation at the edge starts in enterprises with centralized IT systems running the core of their operations. Historically, company policies and technology capability meant that access, data and workflows were challenging to extract and make useful. The “edge” we refer to is the boundary between core systems and engagement with users. Avanade works with companies to foster “innovation at the edge,” helping bring more value from existing systems to employees, customers, and their partners. “Innovation at the edge” helps users gain business insights from more intuitive analytics, create reports and compelling visualizations from business data, and involve partners and customers in more seamless workflows.

People-centric IT is easy to grasp, but hard to implement. It’s the concept that IT departments must focus on creating real value for employees. This value comes in the form of great user experiences, access to information on their device of choice, and productivity tools such as collaboration and virtual presence to name a few. Employees want a broad choice of technology and no longer tolerate the one-size fits all approach that IT has historically provided. By building a “people-centric IT” function, IT departments can directly impact a key asset of the company - employee productivity – helping them work smarter and more efficiently, and ultimately contribute more to the bottom-line.
**Survey methodology**
The Avanade survey was conducted by Wakefield Research (www.wakefieldresearch.com) as an online survey to 1,003 C-Level executives, business unit leaders, and IT decision makers in the following countries: 76 interviews in Australia, 21 interviews in Belgium, 100 interviews in Brazil, 100 interviews in Canada, 20 interviews in Denmark, 20 interviews in Finland, 100 interviews in France, 100 interviews in Germany, 50 interviews in Italy, 55 interviews in Malaysia, 20 interviews in the Netherlands, 20 interviews in Norway, 70 interviews in Singapore, 20 interviews in South Africa, 50 interviews in Spain, 21 interviews in Sweden, 10 interviews in Switzerland, 50 interviews in the United Kingdom, and 100 interviews in the United States. The survey was conducted between February 10 and February 26, 2014 using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 3.1 percentage points for the total sample from the result that would be obtained if interviews had been conducted with all persons in this universe represented by the sample.
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