

# Partnering to shape the future— IT's new imperative

To better serve companies, perform effectively, and meet emerging challenges, executives say in a new survey that their IT organizations should collaborate as partners with the business.

When IT acts as a partner to the business, rather than as a technology consultant or supplier of IT services, the benefits are striking. According to the newest McKinsey Global Survey on business technology, IT organizations that play a partner role—that is, actively collaborating with the rest of the business to shape an overall business strategy that effectively leverages technology—tend to perform better on a number of dimensions, including the delivery of core services and the creation of a healthy organizational culture.<sup>1</sup> But while most respondents, from both the business side and the IT function, believe the IT organization should be a partner to the business, few say IT plays that role today.

The results also suggest that the pressure on IT to perform will only increase with the growth of third-party services (such as cloud offerings and infrastructure as a service) and of digitization. With digital initiatives, too, the companies where IT plays a partner role are further along in both implementation and achieving business impact. The results suggest that the best opportunities for improving IT's performance overall lie



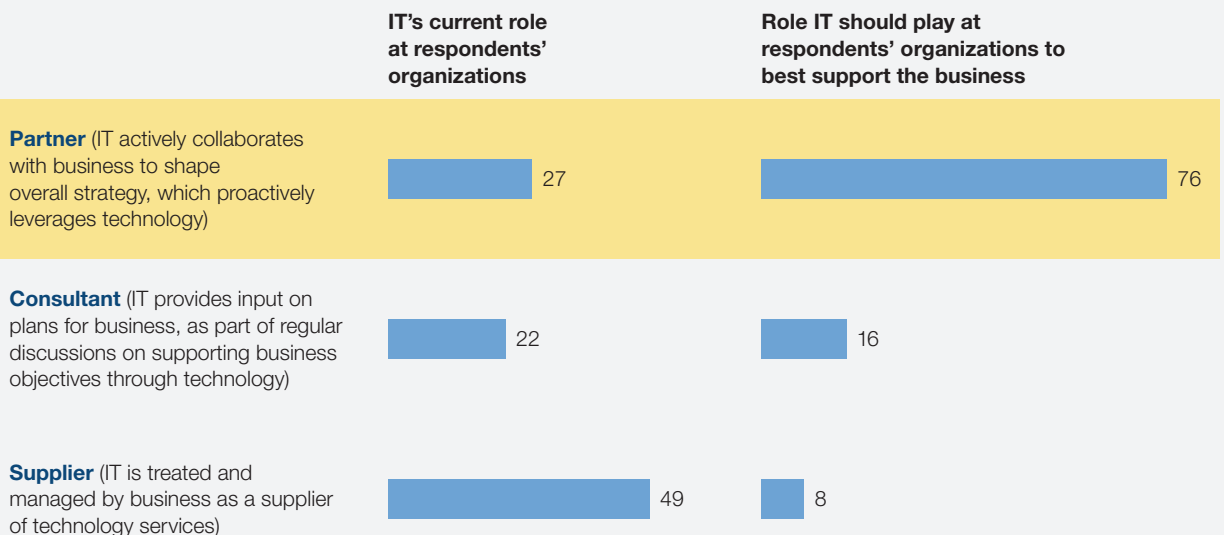
in strengthening the model the IT organization is structured, run, and managed around, and in defining more clearly IT's role and priorities. Nearly all executives say acquiring talent is a challenge and a possible longer-term barrier to improving IT, which could require preemptive moves on the part of many companies.

### Why partnership matters

We asked all executives about the role the IT function plays at their organizations—specifically, whether IT works as a partner to the business, a consultant on technology matters, or a supplier of IT services. Few say the IT function is currently a partner. But both in IT and in the business function, about three times as many executives believe IT should be a business partner at their organizations (Exhibit 1). The results show that when IT partners with the business, the benefits are far-reaching—and striking. We looked at 14 specific dimensions of IT's performance and found that partnership has an impact on its effectiveness in each one—even for relatively standard (or less business-facing) IT processes, such as providing end-user services, managing IT infrastructure, and maintaining applications. Thirty-five percent of executives at companies where IT is a partner, for example, say the IT function works very or completely effectively with the business to develop new capabilities; only 14 percent say the same at companies where IT is a consultant or supplier.

#### Exhibit 1 IT rarely works as a partner with the business, but most executives believe it should.

% of respondents,<sup>1</sup> n = 709



<sup>1</sup> Respondents who answered "don't know" are not shown, so figures may not sum to 100%.

**Exhibit 2      The benefits of partnership are especially dramatic in innovation, culture, and performance management.**

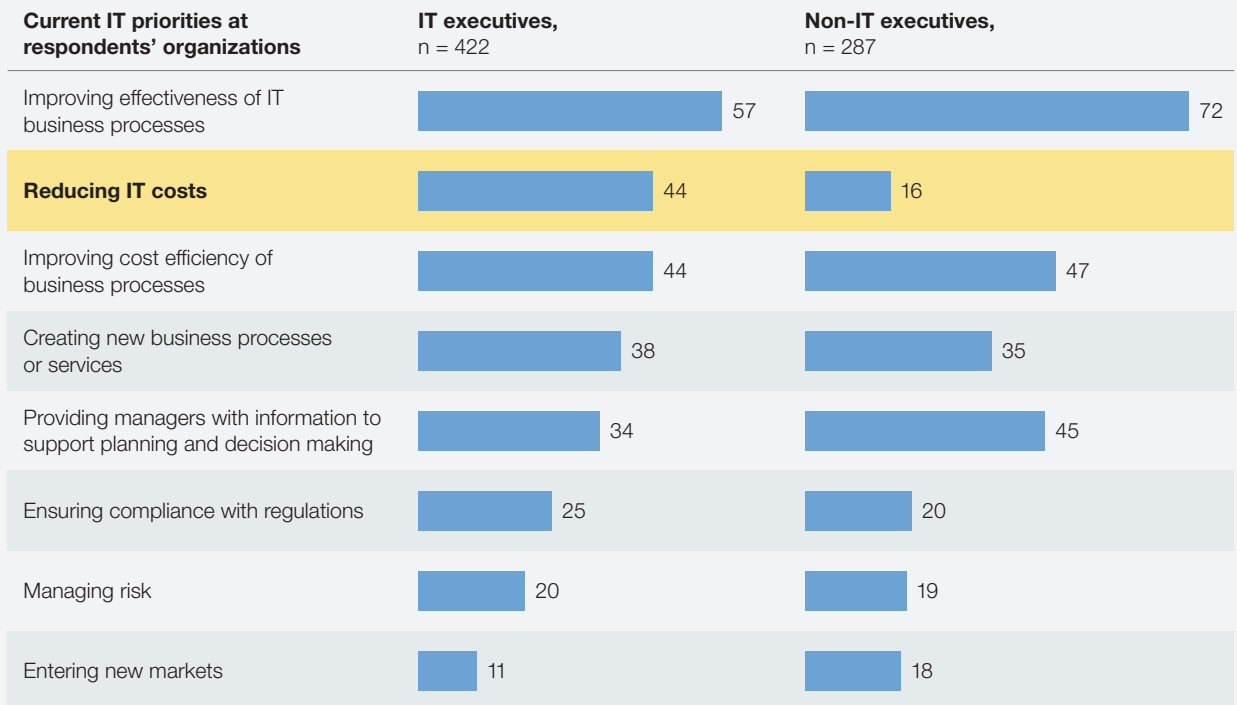
		<div> <div></div> Asked of non-IT respondents         </div> <div> <div></div> Asked of IT respondents         </div> <div> <div></div> Asked of both IT and non-IT respondents         </div>
Areas where IT organizations are completely or very effective <sup>1</sup>	Likelihood of effectiveness at companies where IT is a partner, vs all others	
Implementing bottom-up innovation ideas	3.43x	
Creating a healthy and effective IT culture	3.27x	
Measuring IT's performance on multiple dimensions	2.64x	
Bringing ideas for new IT solutions to business	2.6x	
Partnering with business to develop new capabilities supported by technology	2.5x	
Proactively engaging with business leaders on new ideas or enhancements to existing systems	2.5x	
Introducing new technologies faster and/or more effectively than competitors	2.29x	
Working with business leaders to improve existing systems when asked	2.15x	
Delivering new projects or enhancements on time and within budget	2.13x	
Digitizing business processes	2.06x	

<sup>1</sup> Respondents who answered “not at all effective,” “slightly effective,” “somewhat effective,” or “don’t know” with respect to each area are not shown. The survey asked about 14 total areas or activities. IT executives were asked about 7, and non-IT executives were asked about 8, respectively, but both groups were asked about creating a healthy and effective IT culture.

In a few areas, the benefits of partnership are exceptional (Exhibit 2). For instance, at organizations where IT is a partner, respondents are more than three times likelier than all others to say that the IT function is very or completely effective at implementing bottom-up innovation and at creating a healthy IT culture. Similarly, in many other dimensions—from bringing new ideas to the business to delivering projects on time and digitizing business processes—the partner respondents are at least twice as likely as others to report that IT is effective.

**Exhibit 3 IT and business executives don't see eye to eye on IT's priorities—especially on cost cutting.**

% of respondents,<sup>1</sup> by function



<sup>1</sup> Respondents who answered "other" or "don't know" are not shown.

That said, the results also indicate continued misalignment between IT and business executives on IT's priorities, with little improvement over time. For the fourth survey in a row, the results indicate sizable gaps in how business and IT respondents view priorities for the IT function. In the newest survey, for example, 44 percent of those in IT say that cutting costs is one of their organizations' current priorities for the function—behind only improving the effectiveness of business processes and tied with improving the cost efficiency of business processes (Exhibit 3). Business executives ranked cost cutting last, with only 16 percent citing it as one of their companies' priorities for IT.

**Pressure on IT and the partner advantage**

IT organizations are under increasing pressure to deliver better performance—as the partners already do—partly because of the growing availability and capabilities of third-party services such as cloud computing, infrastructure as a service, and software as a service. About one-third of business executives see third-party providers as a significant or complete substitute for the IT function's services.

Another source of pressure is the expansion of digital programs. Nearly all respondents (91 percent) say their companies are already pursuing a digital agenda, suggesting that the partnership between business and IT will become only more important over time—especially with so many organizations in the early days of their digital efforts. At companies where IT plays the role of a consultant or supplier, a mere 14 percent of executives say their companies have implemented digital initiatives across the business. Just one-third say the IT function and the business collaborate on these initiatives, while half report that IT either is completely uninvolved in digital or supports it only as a supplier of technology services.

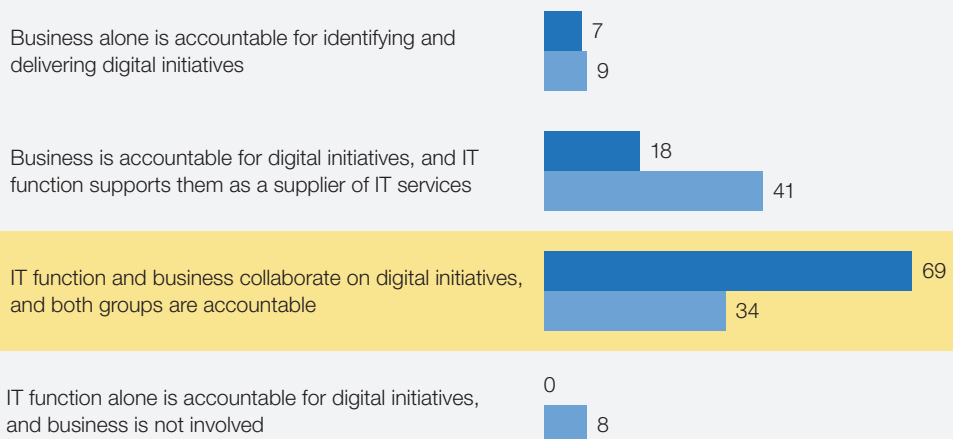
By contrast, digital initiatives have already begun to thrive at organizations where IT operates as a partner with the business. Compared with their peers, respondents at these companies are roughly twice as likely to report that digital initiatives are being implemented across the organization, that the business impact from the initiatives has been significant, and that the IT function shares accountability for digital initiatives rather than simply playing a supporting role (Exhibit 4).

**Exhibit 4 IT is much likelier to share accountability for digital initiatives when it acts as a partner with the business.**

% of respondents<sup>1</sup>

■ Respondents at companies where IT is a partner, n = 231  
 ■ All other respondents, n = 470

**Role that IT functions play in digital-business initiatives at respondents' organizations**

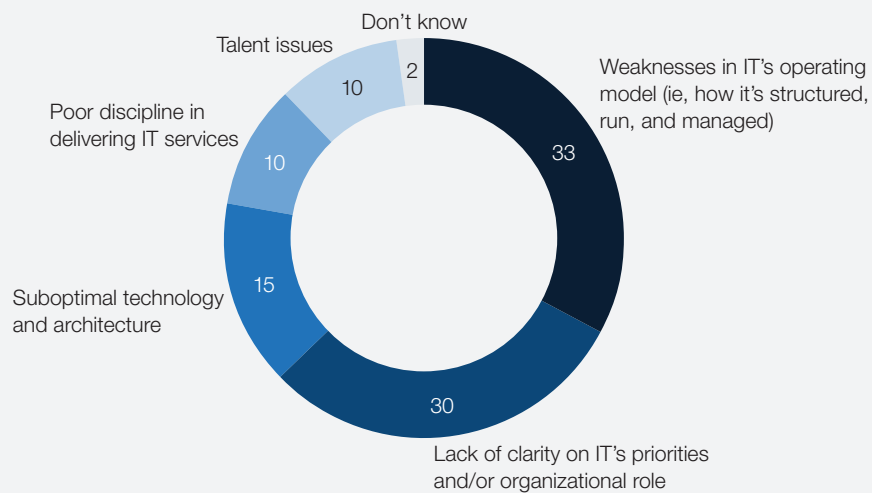


<sup>1</sup> Respondents who answered “our organization is not pursuing any digital-business initiatives” or “don’t know” are not shown, so figures do not sum to 100%.

**Exhibit 5      Technology executives tend to cite operating-model problems and a lack of clarity about IT's role as causes for the function's shortcomings.**

% of respondents,<sup>1</sup> n = 407

**Most significant root cause of IT's shortcomings**



<sup>1</sup>This question was asked only of IT respondents who rated their IT organizations' effectiveness in 1 or more functional areas or activities as "somewhat effective," "slightly effective," or "not at all effective."

### Redefining IT's role

The results suggest that executives recognize the potential benefits of an IT–business partnership. So what is keeping organizations from establishing IT as an active partner? When we asked technology executives about the root cause of the function's shortcomings, they most often identify weaknesses in IT's operating model (how the function is structured, run, and managed overall), followed by a lack of clarity about IT's priorities and role (Exhibit 5). These elements were cited far more often than the others we asked about: suboptimal technology, undisciplined IT delivery, and talent. This emphasis on the operating model and IT's organizational role is not surprising, given how instrumental these two elements are in aligning the organization on IT's priorities, developing a stronger IT culture, and establishing and operationalizing IT's role as partner.

While talent doesn't top the list as a root cause of IT's problems, it continues to surface as a major obstacle to the function's effectiveness, regardless of whether or not it works as a partner with the business. Almost all respondents (93 percent) say attracting IT talent is a challenge for their organizations, which in the longer term could pose a bigger barrier to improving IT.

Respondents say their most pressing needs for IT talent are in analytics and in joint business and IT expertise—areas they cited most often in the past two surveys—along with the cloud, mobile development, and cybersecurity (Exhibit 6). While four out of five of these areas are technical in nature, joint business and IT expertise could have an impact on future operating-model improvements and alignment between the business and IT sides on technology issues.

**Exhibit 6 IT's most pressing talent needs continue to be analytics and joint business–IT expertise.**

% of respondents<sup>1</sup>

■ Top areas of technical-talent needs  
■ Top area of organizational-talent needs



<sup>1</sup> Respondents who answered “other,” “we do not expect to have any pressing talent needs,” or “don’t know” are not shown.



### Looking ahead

- *At the highest level, align on IT's role.* Given all the pressures of implementing digital strategies and the advent of new delivery models, redefining the role of IT is rapidly gaining importance as a management issue. To move to a partnership model, a company's senior leaders must first align on IT's role (and what it means for the overall operating model). IT organizations and their business counterparts must then rethink the business–IT engagement model and processes, as well as decide how they can work together to implement large technology initiatives that support the business. In this new model, there are also talent implications for IT to address, specifically in the area of joint business and technology expertise.
- *Change hearts and mind-sets.* Implementing a partnership model also requires a shift in mind-set from the leadership team down to the front line. True partners can proactively help the business to think about enabling technology and delivering IT services that truly fit the needs of both the business and customers. To reap the full benefits of partnership, stakeholders across the board must adopt a partner mind-set toward the services (and value) that IT provides rather than thinking of their IT colleagues as consultants or suppliers. ■

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<sup>1</sup> The online survey was in the field from October 13 to October 23, 2015, and garnered responses from 709 executives. Of these respondents, 422 have a technology focus, and the remaining 287 are C-level executives representing other functional specialties. The respondents represent the full range of regions, industries, company sizes, and tenures. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

The contributors to the development and analysis of this survey include **Naufal Khan** and **Jason Reynolds**, principals in McKinsey's Chicago office, and **Christoph Schrey**, an associate principal in the Chicago office.

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