INTELLIGENCE

The IT Role in Best-Run Midsize Companies
Driving Value from Embedded Intelligence

The Opportunity for IT in Midsize Companies to Lead the Journey to the Intelligent Enterprise

Recent shifts in IT's commitment to **customer centricity, engagement, and employee productivity** distinguish best-run midsize companies from their competitors.

As companies continue to adapt to the digital economy, they are looking for new and more efficient ways to drive revenue, empower employees, and respond to customer needs. **By embedding data and analytics-driven decision support and decision automation capabilities across their technology architectures,** midsize companies are able to augment their employees' competencies and drive intelligence across all customer-facing and back-office operations.

Agility and adaptability to streamline and update processes can make an important difference. Companies of all sizes are moving to become "intelligent enterprises" and, led by their IT executives, **many midsize companies have begun to take advantage of software with advanced capabilities** such as artificial intelligence and machine learning to leap ahead of larger competitors.

Best-run companies **empower employees** to focus on higher-value tasks, **improve decision-making, explore new business models,** and achieve their goals.
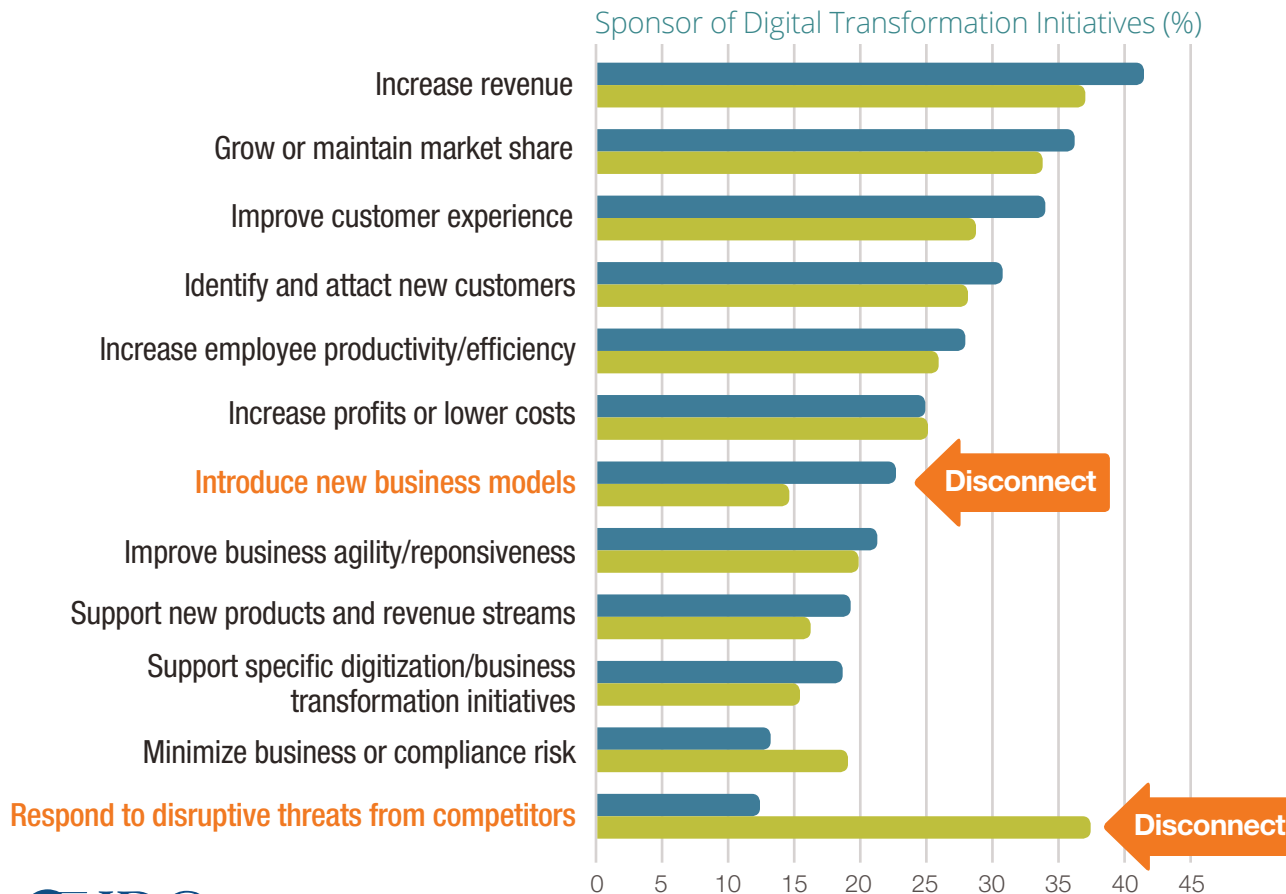
IDC conducted a worldwide survey of 1,957 midsize companies with 100-1,000 employees (among them, 394 respondents from IT roles) to identify key factors associated with business success and progress towards becoming a best-run, digitally engaged company.

*The respondents were categorized into four groups based on their performance: **laggards, survivors, strivers, and best-run**. (For more details, please refer to the overview report: "Becoming a Best-Run Midsize Company.")*

Best-Run

Strivers

Survivors

Laggards

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Overall Company Priorities as Seen by IT

There is generally strong alignment in company priorities between executive leadership and IT groups, except when it comes to introducing new business models and responding to competitive threats. In those two areas, IT and CEOs/owners have significantly different priorities.

Sponsor of Digital Transformation Initiatives (%)

- Increase revenue
- Grow or maintain market share
- Improve customer experience
- Identify and attact new customers
- Increase employee productivity/efficiency
- Increase profits or lower costs
- Introduce new business models — **Disconnect**
- Improve business agility/reponsiveness
- Support new products and revenue streams
- Support specific digitization/business transformation initiatives
- Minimize business or compliance risk
- Respond to disruptive threats from competitors — **Disconnect**

Axis: 0 5 10 15 20 25 30 35 40 45

Legend:
- IT Roles
- CEOs/Owners

IT groups have an opportunity to showcase the role of technical capabilities in introducing new business models, such as launching an external data monetization initiative.

IT groups must be more attuned to the executives' view of competitive threats and be ready to invest in technical capabilities to alleviate executives' concerns.

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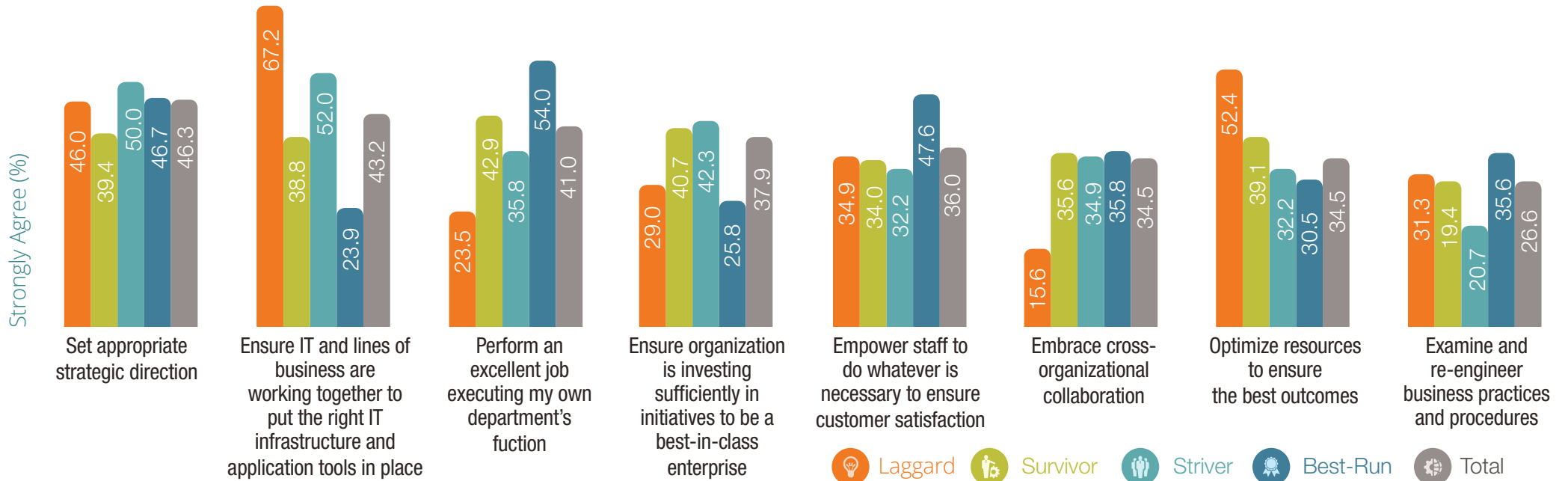
Ways IT Supports Companies to Be Best-Run

IT groups support their companies' abilities to be best-run through **a combination of strategic and tactical efforts.**

According to IT groups, best-run companies differentiate themselves from laggards especially strongly by **focusing on their core competencies** — that is, by executing the IT department's core responsibilities well, thus allowing IT to be a valuable contributor in the achievement of the company's overall priorities.

Interestingly, best-run companies don't view ensuring that IT and lines of business work together to put the right technology in place as a significant contributor to being best-run. Based on IDC's interviews and case research, we believe this is because best-run enterprises **continuously invest in and embrace cross-organizational collaboration.**

Strongly Agree (%)

	Laggard	Survivor	Striver	Best-Run	Total
Set appropriate strategic direction	46.0	39.4	50.0	46.7	46.3
Ensure IT and lines of business are working together to put the right IT infrastructure and application tools in place	67.2	38.8	52.0	23.9	43.2
Perform an excellent job executing my own department's fuction	23.5	42.9	35.8	54.0	41.0
Ensure organization is investing sufficiently in initiatives to be a best-in-class enterprise	29.0	40.7	42.3	25.8	37.9
Empower staff to do whatever is necessary to ensure customer satisfaction	34.9	34.0	32.2	47.6	36.0
Embrace cross-organizational collaboration	15.6	35.6	34.9	35.8	34.5
Optimize resources to ensure the best outcomes	52.4	39.1	32.2	30.5	34.5
Examine and re-engineer business practices and procedures	31.3	19.4	20.7	35.6	26.6

🔸 Laggard 🔹 Survivor 🔹 Striver 🔹 Best-Run ⚫ Total

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Barriers to Becoming a Best-Run Company

Overall, IT groups view legacy systems, disconnected business processes, and a lack of unified information as the three biggest barriers to becoming best-run.

However, existence of legacy systems is a much larger issue for laggards. Laggards also suffer much more from an inability to model and predict with better insights.

Note that being best-run is not a constant end state but requires ongoing attention. Even the best-run companies have room for improvement, especially in gaining insights into customer and employee behaviors and preferences.

Strongly Agree (%)

	Laggard	Survivor	Striver	Best-Run	Total
Legacy system and processes that are not modernized	72.6	28.6	31.5	46.8	35.5
Lack of interoperability between business processes	36.7	34.9	35.4	32.8	34.8
Lack of a common database that unifies customer/employee/supplier information	32.8	29.7	38.6	28.0	33.8
Lack of insight into organizational process and procedures	24.2	32.0	31.0	38.3	32.5
Siloed organization and business units inhibit creation of a unified, consistent customer experience	11.5	30.9	37.3	18.8	30.8
Lack of insight into customer/employee behaviors and preferences	13.3	22.8	32.8	37.7	30.4
Inability to deliver on customer requirements in a timely, contextural fashion	18.9	38.5	28.4	19.5	28.9
Inability to model and predict with better insights to deliver better outcomes	51.7	34.5	24.9	23.3	28.1

Legend: Laggard · Survivor · Striver · Best-Run · Total

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IT Plays a Key Role in Driving Digital Transformation

When digital transformation is driven outside of IT, the chance of creating or perpetuating disconnected systems increases. Eventually, this leads to unintegrated legacy systems and fuels the issue of organizational silos.

Among best-run midsize companies, the CEOs and leaders in finance, HR, customer experience, and IT all cite IT as a top role for leading digital transformation initiatives.

Sponsor of Digital Transformation Initiatives (%)

IT	38.8
Operations	36.0
Senior Management/Executive Team	33.6
Marketing	29.7
Product Management	28.3
Finance	28.2
Sales	27.7
HR	22.3
Line of Business or Division	21.6
Engineering	19.8
DX Specific Organization	14.0

At best-run companies, IT leaders and executives more frequently sponsor digital transformation initiatives.

In contrast, laggards are more likely to drive digital transformation efforts from individual functional areas such as marketing, sales, and finance.

Sponsor of Digital Transformation Initiatives (%)

	Best-Run	Laggard
IT	41.0	23.4
Senior Management	38.1	33.8
Marketing	18.7	36.8
Finance	22.9	35.0
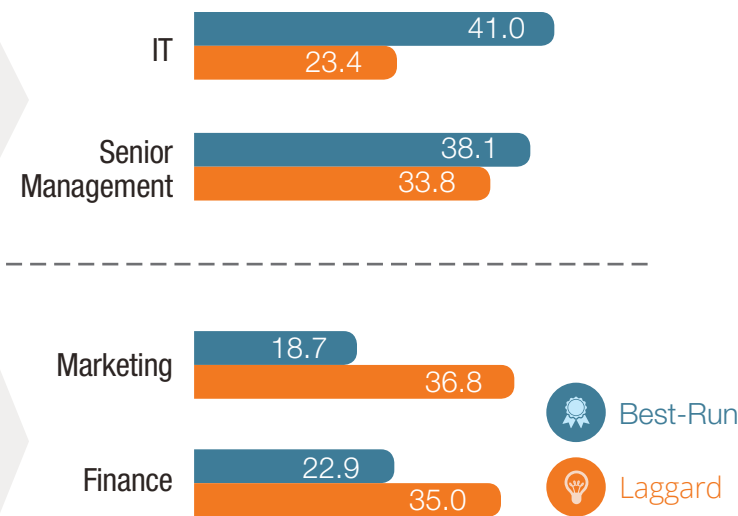
Best-Run

Laggard

IT Groups' Primary Pain Points: Diverse Challenges

IT respondents in best-run and laggard midsize companies cited **different pain points:**

- IT groups at best-run midsize companies have better HR practices. They rarely struggle with staff recruitment and retention.

- Often, they also have addressed tactical issues such as managing and controlling shadow IT.

Best-run companies are addressing these practices…

…but are still struggling with these pain points.

Lack of appropriate skills and talent (recruitment and retention)
- 6.4
- 51.5

Managing/controlling Unauthorized/ rogue IT/shadow IT/BYOD
- 21.8
- 44.5

Creating/maintaining partnership or alignment with LOB stakeholders
- 29.1
- 6.3

Pivoting to a more service-oriented model in which IT acts as an internal service provider
- 44.5
- 20.3

Integrating on premises and cloud-based resources
- 32.6
- 8.2

Best-Run
Laggard

IT Groups at Best-Run Midsize Companies Place a Premium on More Advanced Technologies and Modern Core Applications

Midsize companies use a broad range of digital technologies, including enterprise applications, advanced analytics, machine learning, and other increasingly intelligent technologies.

However, best-run midsize companies most differentiate themselves from laggards based on adoption of the following technologies:

IT groups have the **opportunity and responsibility** to both modernize existing core applications and experiment with advanced technologies.

% of IT Respondents Using Technology
(in Order of Greatest Difference Between Best-Run and Laggards)

Technology	Best-Run	Laggard
Advanced/predictive analytics	72.2	8.7
Chatbots/digital assistants	66.8	10.8
Collaboration software	86.1	30.6
HR talent management software	70.7	19.3
Enterprise resource planning software	77.3	26.1
Marketing activity tracking tools	67.0	16.0

Best-Run

Laggard

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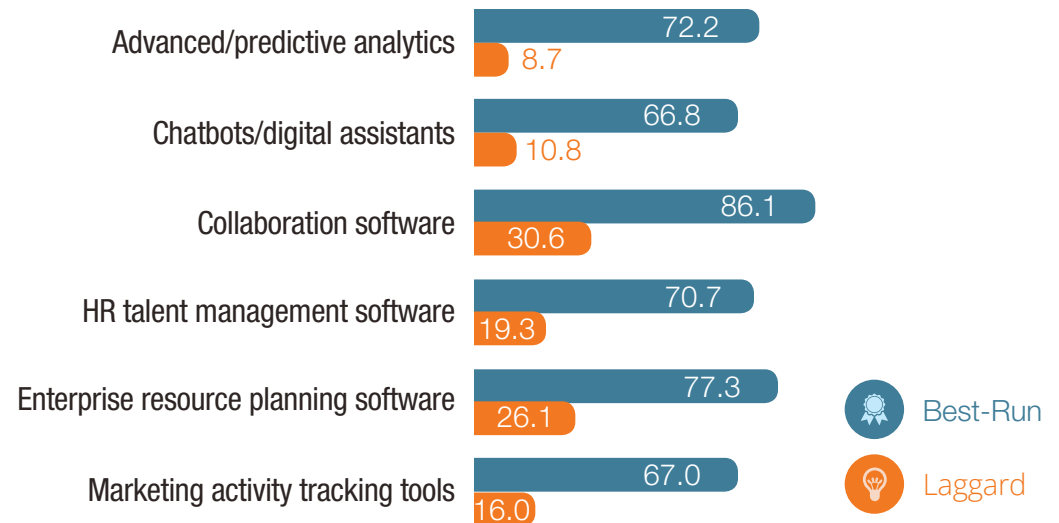
Technology's Impact on Innovation

Best-Run Companies View Modern Technology as a Necessity and an Enabler

Although some of the newest and most advanced technologies are not at the top of the list of current adoption, they have a disproportionally high impact on innovation.

Overall, those in IT roles at midsize companies view cloud computing as the technology with greatest impact on innovation. However, the biggest difference between best-run and laggard midsize companies is in using advanced, intelligent solutions such as artificial intelligence/machine learning (AI/ML), Internet of Things (IoT), and blockchain.

% of IT Respondents Who Say These Technologies Have a Strong or a Very Strong Impact on Innovation

Blockchain
92.8
18.9

Artifical intelligence/ machine learning
91.0
29.7

Internet of Things
92.0
22.3

Best-Run
Laggard

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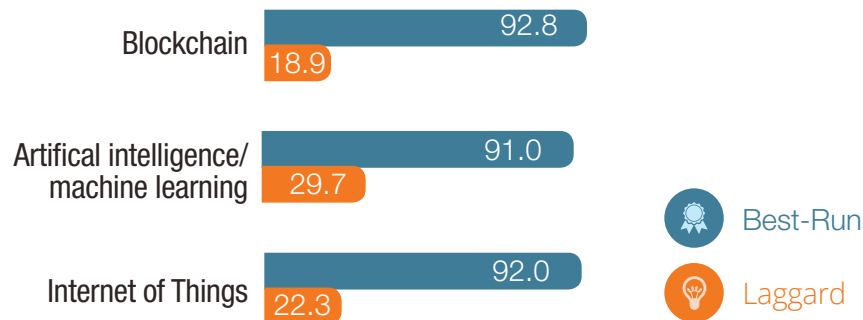
Best-Run Companies Are Most Likely to Have a Consistent, Comprehensive Data and Analytics Strategy

Which of the following best characterize the level of your organization's **big data and analytics (BDA)** strategy or vision?

Legend:
- We have little or no BDA strategy
- We implement BDA strategy at the group or department level
- We implement BDA strategy at business unit level
- We have a single strategy across the entire enterprise

Categories: Laggards, Survivors, Strivers, Best-Run
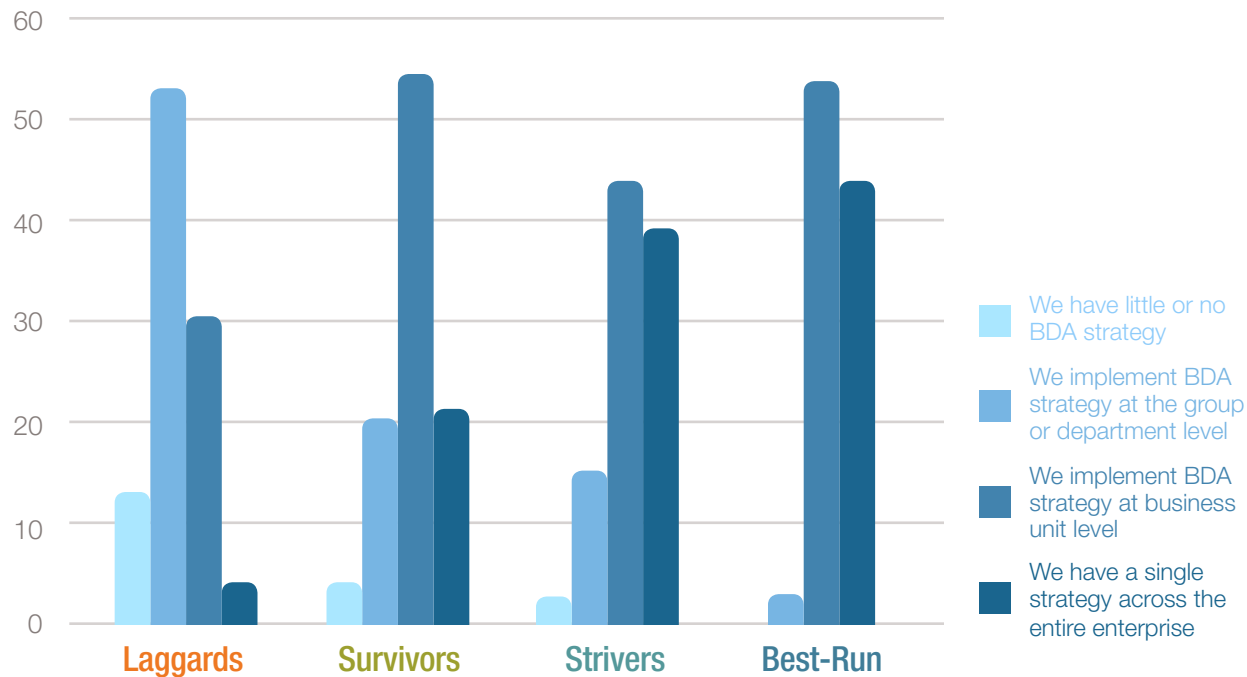
Best-run midsize companies are more likely to have a more centralized data and analytics strategy, which differentiates them from their less well-run peers.

Having such a centralized data and analytics strategy also aligns with treating data as an asset that drives actionable insights.

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Best-Run Companies Treat Data as an Asset That Yields Actionable Insights

Best-run companies apply resources to data management, data integration, and data integrity processes and technology. The result? More trusted, understandable, and timely data.

This data is used to influence decision-making and as a source to train AI/ML algorithms ... and it helps create a common language across the company, which is a one of the hallmarks of best-run companies.

Strongly Agree That Their Company's Data Has the Following Characteristics

Characteristic	Best-Run	Laggard
Actionable	67.1	7.9
Secure	73.0	9.2
Granular	68.3	7.1
Available	68.3	7.1
Understandable	60.2	3.5
Complete	66.5	6.2
Trusted	67.0	6.6
Timely	63.4	5.4

● Best-Run
● Laggard

% of Respondents
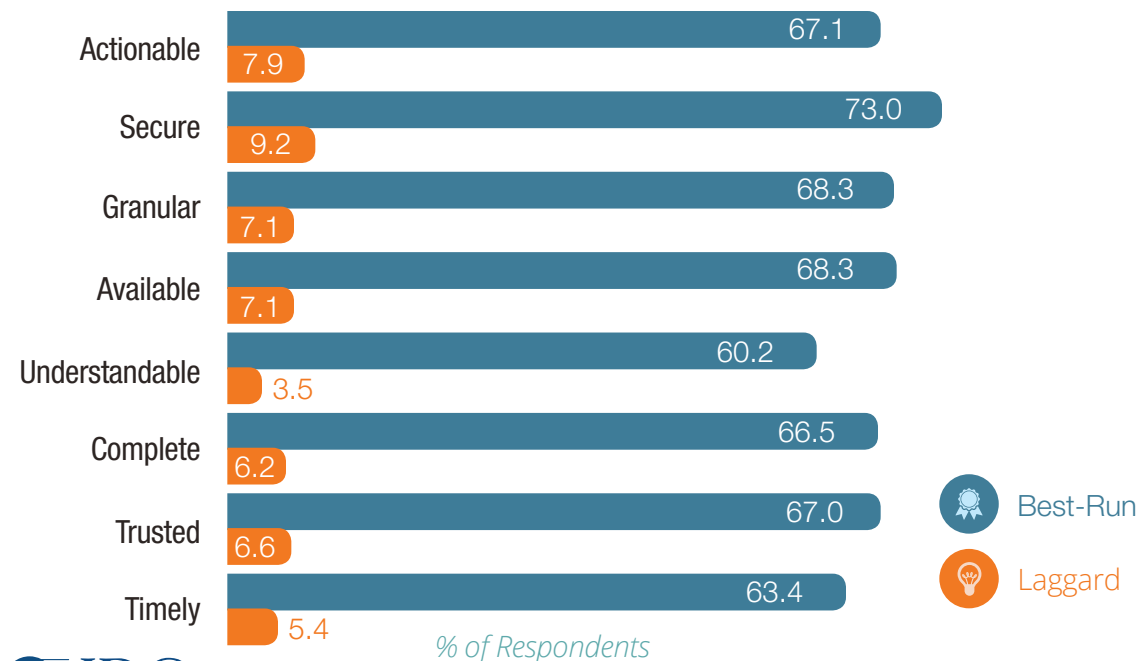
Technology, Training, And Governance Enable a Common Language Across the Company.

Best-Run 97.0

Laggards 8.0

% of respondents who strongly believe the people across their company have a common, agreed-upon understanding of key performance indicators

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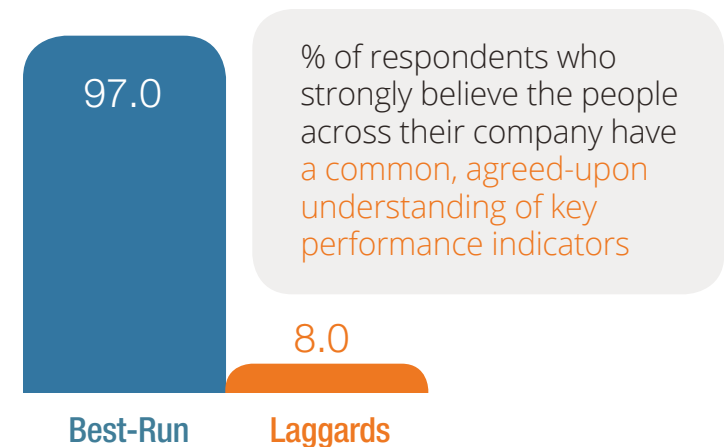
Eliminating Information Siloes

IT groups are dealing with great complexity: Of midsize companies' IT groups, 65% support between 20 and 99 applications integrations.

At best-run midsize companies, IT groups are more invested in breaking down data and application silos — a critical step in becoming best-run and enabling sharing of insights across the company.
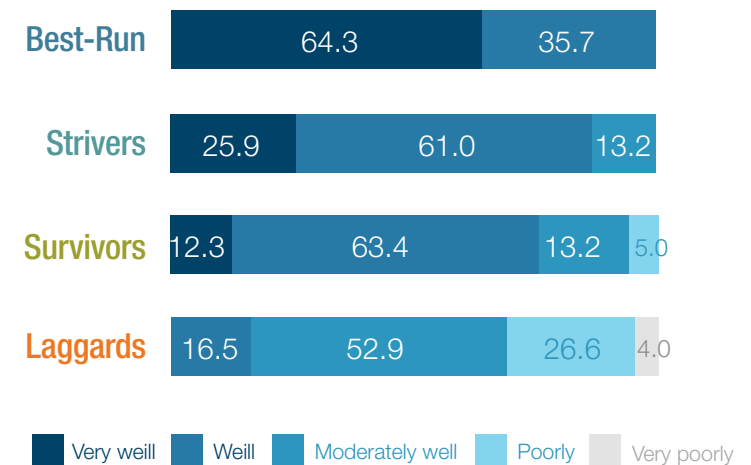
of Application Integrations Supported by IT (% of IT respondents)

- 100 or more: 4.4
- 50 to 99: 22.5
- 20 to 49: 42.5
- 10 to 19: 26.7
- Under 10: 3.7
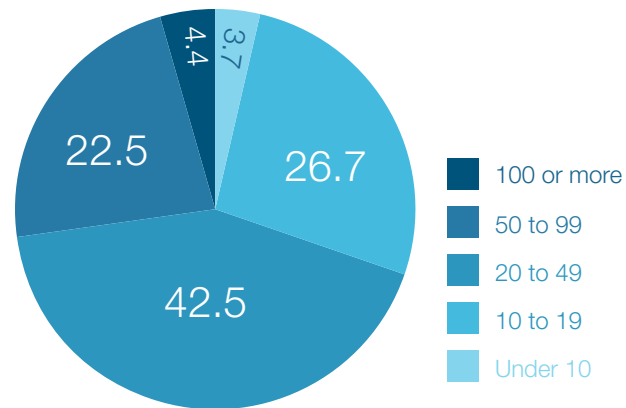
% of IT Respondents Who Strongly Agree that Their Company Is Working to Eliminate Data Silos and Share Insights Across the Company

- Best-Run: 68.0
- Laggards: 7.0
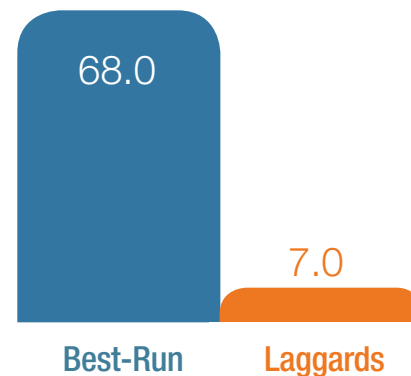
Ability of Our Organization's Technology and Application Infrastructure to Provide Insights Across the Business (% of IT Respondents)

	Very weill	Weill	Moderately well	Poorly	Very poorly
Best-Run	64.3	35.7			
Strivers	25.9	61.0	13.2		
Survivors	12.3	63.4	13.2	5.0	
Laggards	16.5	52.9	26.6	4.0	

IT Group's Ability to Provide the Right IT/Application Infrastructure Dramatically Affects Company Performance

The greatest differentiators between best-run companies and laggards are agility, compatibility with other systems, and support for business innovation.

Ability for IT Infrastructure to Deliver Capability
[Top-2 Box Score (i.e., Top Two Selections of Respondents), IT Respondents, Sorted on Biggest Difference Between Best-Run and Laggards]

Category	Laggard	Survivor	Striver	Best-Run
Agility/flexibility	2.3	56.8	78.5	100.0
Compatibility with Other Systems	3.2	58.1	80.4	100.0
Support for Business Innovation	3.4	56.3	89.7	99.3
Automation	0.5	51.7	68.9	94.5
Scale	12.6	46.6	92.4	100.0
Accuracy	11.9	42.6	87.5	99.3
Visibility	16.4	55.4	84.8	100.0
Compliance	18.9	53.0	88.3	99.0
Security	39.4	66.0	93.2	99.0

Legend: Laggard Survivor Striver Best-Run
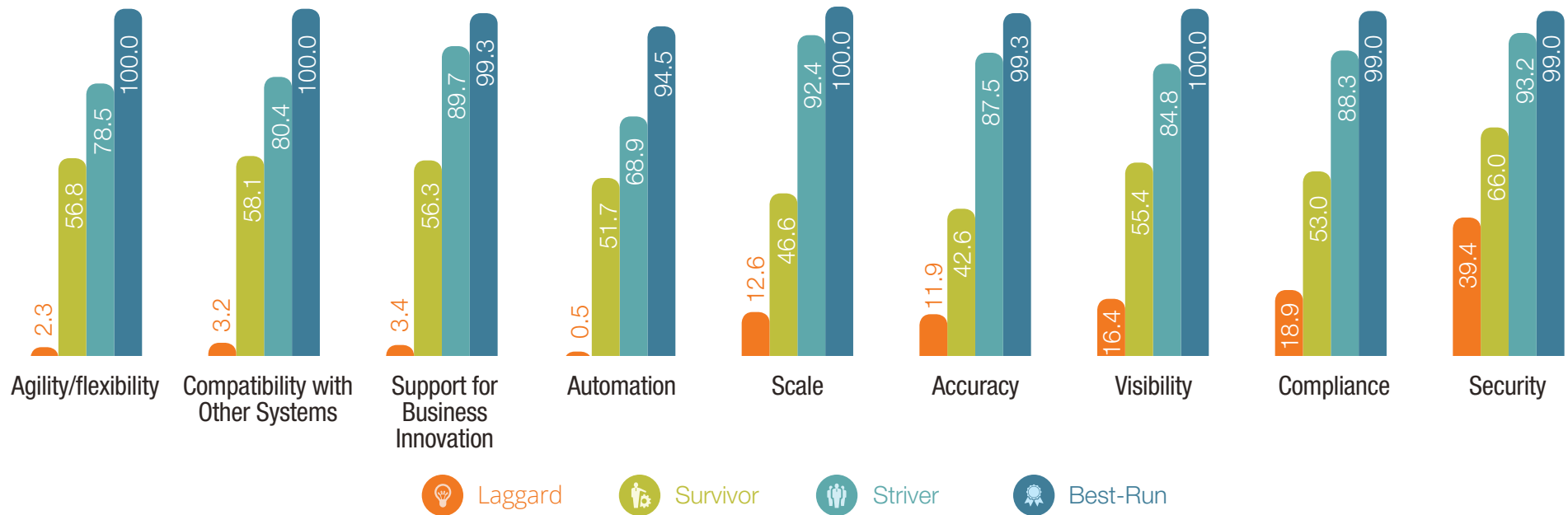
IT Groups at Best-Run Companies Use Third-Party Partners for Service Delivery to a Greater Extent

The complexity and speed of change in today's IT and data environments require an effective melding of internal and external IT skills and technologies. It is increasingly difficult for midsize companies (and for many large enterprises) to do it all on their own with internal development and IT maintenance efforts.

Today, the role of many IT groups has shifted to vendor assessment, management, and most importantly, integration. Best-run midsize companies tend to rely on outside partners more than their competitors do. IDC research indicates that best-run companies rely on a range of partner services such as:

Software-as-a-service/cloud-based enterprise applications, databases, data integration, and analytics solutions

Custom applications that use infrastructure as a service as an app-hosting model

AI/ML-based solutions, such as intelligent chat bots and digital assistants, which require scarce, highly specialized expertise

Data-as-a-service solution that provides access to valuable second- or third-party data for integration with the companies' internal data

% of IT Service Delivery Performed by Third-Party Partners

Best-Run	51.5
Strivers	46.2
Survivors	41.0
Laggards	33.7
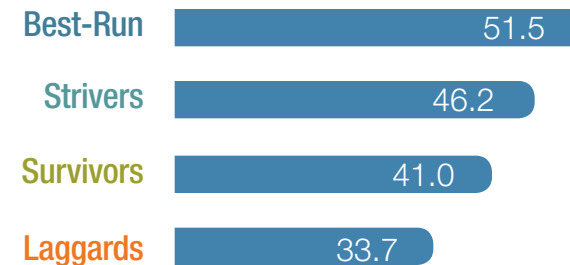
Recommendations for IT Leaders

1 **Take an active role in leading digital transformation efforts** by ensuring a centralized approach that breaks existing siloes and prevents new ones from forming.

2 **Establish and maintain strong ties with internal business partners** through ongoing communication and joint planning, funding, and review efforts.

3 **Embrace a new generation of intelligent technologies** such as digital assistants, but also recognize the opportunity to infuse AI/ML-based intelligence throughout your IT architecture and benefit from more intelligent enterprise applications, data management, and business analytics capabilities.

4 **Treat data as an asset by assigning dedicated data intelligence and governance staff.** This can provide long-term dividends in the form of better decision-making that drives company-wide agility and adaptability.

5 **Take advantage of partner solutions** to augment internal IT staff and technology capabilities and expertise.

Methodology

Findings for this InfoBrief are based upon an IDC September 2018 study of business and IT leaders in midsize companies around the world.

For this study, IDC surveyed 1,957 executives with decision-making or recommending authority for IT solutions and services. Respondents were located in 13 countries across North America, Europe, and Asia/Pacific and spanned a broad mix of industries.

For each respondent, IDC collected business key performance indicators (KPIs) including revenue growth, profitability, customer satisfaction, and employee productivity. IDC analyzed the correlations between these business success metrics and respondents' IT policies and behaviors to determine best practices for IT digital transformation, which provided the basis for determining the four intelligent enterprise maturity categories.

Sponsor Statement

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SAP applications and services enable more than 250,000 small and midsize companies to operate profitably, adapt continuously, and grow sustainably. SAP provides pre-integrated software components with embedded intelligence, enabling companies to stay lean, automate, optimize, and become a best-run business. Our solutions are designed to deliver value right away and to scale for future growth.

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