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REINVENTING REINVENTION: CHOOSING THE CONTINUOUS ‘WISE PIVOT’ OVER ONE-TIME TRANSFORMATION

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The relentless digital disruption of one industry after another has left leaders looking for a new path to the future.

In a world of light-speed technological advances and overnight disruption from all directions, the large-scale business “transformations” of old no longer suffice, if they ever did. The alternative, however, isn’t just to rush headlong to the new, leaving behind and untended your still-valuable businesses that new technology could revitalize.

It turns out that the best response to constant and potentially devastating change is continuous rebalancing of an energized innovation portfolio, applied with as much creativity to older parts of your business as it is to the new.

Our real-world approach to innovation will no doubt feel counter-intuitive to managers trained in old business paradigms focused on linear, lifecycle models of business management. With the future arriving faster all the time, however, the farseeing leaders in our on-going study of over 1,300 companies have learned to pursue repeated renewal and reinvention through a series of strategic pivots, applying innovation equally in the old, the now, and the new.

We call this self-renewing process “The Wise Pivot.”

This revolutionary new idea originated in Accenture’s own reinvention—a journey that, since 2014, has resulted in the addition of 154,000 employees, revenue growth in new businesses of $10 billion, and a doubling of market capitalization, to more than $100 billion.

To supplement and codify what we learned about reinvention from that ongoing effort, our study included companies of all sizes, both old and new, across 20 major industry segments. We wanted to understand the drivers of disruption, and the new strategies leading companies have developed to grow their well-established legacy businesses and leverage them into new, scalable offerings. In short, we learned how they pivot wisely, and how their tools and techniques could be applied anywhere.

One key insight: The Wise Pivot takes courage. Our value releasers fight the urge to prematurely abandon legacy businesses, nurturing rather than simply exploiting today’s “cash cows,” and embracing the start-up mentality of scaling rapidly when new technologies and markets solidify, often suddenly.

We found that what was needed was not just a new strategy but an entirely new approach to strategy. As with the companies in our study, embracing it will likely cause substantial culture shock throughout your organization and among key stakeholders, too. But the alternative is to fall farther behind, and faster, sacrificing still-valuable businesses and losing a race to the future without leaving the starting line.

The Trapped Value Gap

In the growing gap between how companies use technology today and its much greater potential lie increasingly rich stores of untapped opportunities, or "trapped value." Continuing improvements in the speed, size, power, price and efficiency of digital technologies will free that trapped value, distributing it across businesses, industries, consumers and even society as a whole.

But as trapped value accumulates, disruption becomes inevitable.

In part, that's because, across the industries in our study, few incumbents report employing the latest technologies to uncover latent demand and unmet needs or using them to close the growing trapped value gap. Instead, their innovation investments focus on incremental improvements whose benefits are quickly competed away.

Too often, it takes a new entrant to translate trapped value into new markets and offerings, and to convert the opportunity into sustained and often-explosive revenue growth. And new entrants rarely follow the rules an industry may have worked out among its participants over years or even decades.

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If you don't find ways to close the trapped value gap fast enough, you may find not just your future growth disrupted, but today's business as well. That's especially true for companies in industries ripe for "big bang" disruptions where new entrants and fast-moving incumbents can offer something dramatically better and cheaper (like ride hailing or online shopping) that entices consumers to suddenly abandon the old for the new.

Disruption is also increasingly a risk for companies in mature, asset intensive industries like telecommunication, utilities, energy, materials, health care, finance, automotive and industrials. It's harder for customers in these industries to switch from older to newer offerings, but when incumbents innovate too cautiously, trapped value still grows. Over time, "compressive" disruption occurs as core technologies become obsolete and profit margins decline. It may take longer, but here too the rules an industry may have operated under for as long as today's executives can remember will be completely rewritten.

Our research found that the enterprises, old and new, least able to find and release trapped value are those most rigidly committed to business school approaches to strategy and execution. While these ideas may have worked in the past, they inevitably fail when disruptive innovations come calling, faster and more urgently all the time.

Whether in the name of pursuing "shareholder value," operating under a "lean" structure, exploiting "design thinking" or "agile" development, or spinning off next-generation R&D in hopes of overcoming an "innovator's dilemma," strategies that seek simply to accelerate business-as-usual remain flawed, and increasingly clash with real-world challenges.

The Seven New Strategies

These wrong turns must be avoided, replaced with "digital-first" approaches to business that embrace the disruptive potential of new technologies and translate them into the fuel needed for continuous innovation. Our research revealed seven new strategies that trapped value releasers mastered as part of their Wise Pivot, allowing them to generate sustainable growth today while building capabilities necessary to leverage the momentum into a future where the only certainty is continued disruption:

1. **Technology Propelled.** Mastering leading-edge technologies that enable business innovation.

2. **Hyper Relevant.** Knowing how to be—and stay—relevant by sensing and addressing customers' changing needs.

3. **Data Driven.** Generating, sharing, and deploying data to deliver new product and service innovations safely and securely.

4. **Asset Smart.** Adopting intelligent asset and operations management to run businesses as efficiently as possible, freeing up capacity for other innovative efforts.

5. **Inclusive.** Adopting an open and transparent approach to innovation and governance that embraces a broader range of stakeholders.

6. **Talent Rich.** Creating modern forms of workforce management (flexible, augmented, and adaptive) to gain competitive advantage in fast-changing markets.

7. **Network Powered.** Harnessing the power of a carefully managed ecosystem of partners to bring the best innovations to your customers.

Which of the seven winning strategies will unlock trapped value for your organization? The answer depends in part on the nature of that value. In our experience, some organizations are able to achieve value release with just one of the seven. Others combined several. Some focused their attack on value trapped in their own enterprise or industry; others reached for richer sources locked inside problems that plagued customers and communities, but for which no good solution was previously available and cost-effective.

The Wise Pivot

The seven new strategies can help you develop a portfolio of investments aimed squarely at releasing trapped value, rotating around three lifecycle stages of your business at once:

The Old: By innovatively applying new technologies to old offerings, you can restart growth, providing essential capital for your pivot to the future.

The Now: By investing strategically in today's core products and services, infusions of new technology and innovation can uncover valuable opportunities to accelerate growth in existing businesses, unforeseen or overlooked in a rush to the new.

The New: By planning carefully for the next disruption, The Wise Pivot rejects the idea of "fast-following." It recognizes instead that even when disruptors are slow to gain traction, the race to profit from trapped value is often over as soon as it starts.

Reinventing Three Core Assets

Value-releasing companies continually reallocate resources and assets to balance and focus all three stages of their business lifecycle. That assures continued revenue from core assets that may be nearing the end of their life, even as the business and its people move quickly through the now, arriving at the new, ready and able to continue pivoting. Through inter-connected, rolling strategies that operate within and across the lifecycle stages, one rotation is followed by the next and the next.

A truly wise pivot is repeatable. In essence, that's the difference between a simple pivot from one product or one set of customers to the next and a wise pivot in all three lifecycle stages at once.

Along the way, you'll both rely on and reinvent three core sets of assets as you pivot from an old core to a new one: innovation, financial, and human capital.

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The Innovation Pivot | You must continually review and integrate people and programs devoted to research and development, incubation, corporate venturing and acquisitions, all with an eye toward adjusting the strategic levers that determine their speed and trajectory in the three business timeframes: the old, now and new.

The executives in our study successfully addressed three key questions:

- How centralized should your innovation activities be?
- How much control will you exert over employees most closely involved in innovation?
- How much of your investment should be focused on incremental improvements, and how much committed to big bets on the future?

The Financial Pivot | Capital is the fuel that keeps innovation moving across all three lifecycle stages. So it's little surprise that most successful pivoters leverage their financial resources to maximize each shift from one core to the next.

The right calibration requires careful consideration, however. For example, shedding fixed assets lowers on-going costs and offers greater agility. But this can also make it harder to develop your own innovations when core resources are controlled by third-party service providers. Likewise, reducing inventory minimizes the risks of having too much stock, but it might also damage your brand if customers are unable to buy when and what they want due to stockouts.

And employee skills, the ultimate differentiator, are becoming hard to acquire on an as-needed basis, even while an expanding trapped value gap rapidly erases some of the business advantages of full-time workers.

The three questions executives in our study answered in the design of their financial pivot are:

- When must assets be owned, and when should they be rented?
- How can technology help move you from ready-made to made-to-order production?
- When and how can employees who are expert in legacy businesses be reskilled?

The People Pivot | Successfully managing businesses in the old, the now, and the new affects how you: bring together a wide range of people and cultures, unite them for a common purpose, and respect their individuality.

Every pivot challenges the existing balance of leadership styles, creates new opportunities to unite humans and machines, and expands the diversity of corporate culture even as it necessitates more precise business discipline. The result is an increased need for strong company identity that is simultaneously distinctive yet inclusive—a “culture of cultures” that celebrates rather than dilutes your brand and customer experiences across geographies and demographics.

The final three strategic levers of asset reallocation, which determine the shape and trajectory of a successful people pivot, answer the following questions:

- Where does your company need business makers—leaders with strong entrepreneurial talent and vision—and where does it require business runners—executives who are expert in operating profitably and at scale?
- How can reskilling and training, along with process redesign, maximize the value of collaborations between humans and machines?
- How can strong and successful corporate cultures evolve into more inclusive and diverse cultures of cultures?

What It Takes to Pivot to the Future

Not every pivot will succeed wildly. Some investments will fail to generate any returns. That's okay. Once you stop putting all your eggs in the flimsy basket of corporate transformation, you can develop a living strategy that adapts to new technologies, competitors, and customer demands. Fortunately, with such a strategy, you can afford to stumble, to redirect, and pivot again. Winning some and losing some is much more the norm, even for the most successful companies in the world.

You can, however, improve your odds. Managing innovation, investments and other assets as a portfolio, balanced and focused across all three lifecycle stages, offers insurance that investments that fail won't risk the entire enterprise. You'll have other bets to fall back on, and a powerful core, strengthened and expanded, to keep you going.

At Accenture, we faced potentially destructive waves of technology-fueled competition capable of capsizing us and making us less relevant. We couldn't stand still as a steady wind of new innovations swept in. We had to re-invent ourselves—and as we did, we wound up reinventing the tools of reinvention. From that experience, our subsequent research on thousands of companies, and our continuing work with clients, come these specific and practical strategies for pivoting, wisely, to the future.

Our firm did it. A few leading firms in every industry are doing it. So can you.

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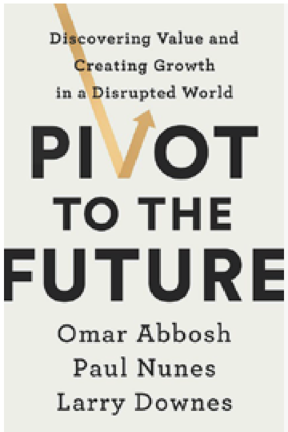

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