

# Investing to Sustain High Performance

Examining the Two Sides  
of the Innovation Coin

By Adi Alon

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## About Accenture Process & Innovation Performance

The Accenture Process & Innovation Performance service line takes an end-to-end, process-based approach to address key business challenges such as complexity reduction, lean manufacturing and operations, process innovation, strategic cost reduction and growth through innovation, in order to create competitive advantage for clients globally. We help our clients become high-performance businesses by enhancing the internal capabilities needed to continuously improve operational and innovation performance. Accenture enhanced its longstanding operations and strategy expertise with the 2007 acquisition of George Group, a recognized market leader in process, operational and business transformation, and innovation strategy, whose capabilities and offerings form the foundation of this new service line.

During this period of economic uncertainty, many organizations are actively searching for ways to hang onto hard-earned dollars and cents. As the corporate agenda shifts from growth to preservation mode, the natural reaction is to cut budgets to reduce costs or trim prices to retain customers. Innovation initiatives, which are typically associated with long-term value creation and generally lacking agreed measurement metrics, may be viewed as too costly in a time like this, and therefore dispensable.

Ironically, a closer examination of one of these hard-earned cents—let's call it the innovation coin—shows that a steady and strategic approach to innovation can deliver high performance in spite of, and even because of, an economic downturn.

On the "heads" side, organizations can achieve critical cost reductions by consistently treating innovation as a business discipline. On the "tails" side, these same enterprises can realize customer retention and acquisition initiatives by creatively applying innovations to satisfy customers and meet their evolving needs. And on the whole, innovation can enable an organization to differentiate itself from the competition, which is valuable at any time in the business cycle but even more imperative now. No matter how the coin is viewed, a continued commitment to innovation will help keep an organization resilient during this current cycle and better poised for the times ahead.

Accenture has deep experience helping clients examine both sides of the innovation coin—to discover and deliver innovations to achieve high performance. Accenture's approach to innovation, which is infused into our organization as well as our offerings and methodologies, is the currency by which we guide our clients toward sustainable innovation initiatives regardless of the economic outlook.

In fact, we believe the pursuit of high performance cannot be put on hold during economic swings. Accenture's ongoing research into the characteristics of high-performance businesses indicates that innovation delivery affects all aspects of a company's competitive essence. This essence is achieved by strengthening the three building blocks of high performance through both good times and tough times. These three building blocks are market focus and position, which defines where and how to compete; distinctive capabilities, which refers to the critical interplay between capabilities and value creation; and performance anatomy, which relates to the elements of culture, leadership and the workforce.

Our stance on innovation is underscored by Accenture-sponsored research to determine how companies around the world view and pursue innovation. The survey, conducted in late 2007 by the Economist Intelligence Unit—a leading provider of industry and management analysis—reveals that while top executives believe innovation is quite critical, organizations are challenged to execute innovation that delivers results. (A full analysis of the survey results and implications is available in "Overcoming the Barriers to Innovation."<sup>1</sup>)

One of the biggest challenges cited was the quality of the innovation pipeline—the frequency and pace of innovation execution was largely unsatisfactory for many respondents. Now with the economic situation, we anticipate the gaps identified in the report will be even wider, making the case for building an organizational innovation capability that much stronger.

As your organization considers options during these economic times, take a good look at the innovation coin. On both sides, the "cost" of innovation can be quickly surpassed by creating and capturing new kinds of value, as shown below in a more detailed examination of each side of the coin.

## Heads: Cost Efficiency through Innovation

Investing in innovation initiatives such as market development or new product research can seem counterproductive to organizational goals in an economic downturn. Yet innovation is also about reducing time to market for new products, making existing operations more effective and helping employees become more efficient.

This side of the coin requires treating innovation as a business discipline, which is more fully described in Accenture's recent article "How to Get the Most from Your Best Ideas,"<sup>1</sup> (Outlook Journal excerpt, September 2008). In brief, organizations can start by defining a clear strategy for innovation, outlining specific elements to refocus and reenergize. An important step in this process is to clarify the scope for the innovation effort, such as identifying and implementing cost efficiencies in the supply chain, to help ensure the initiative aligns with the strategy.

Similar to other core business functions, enterprises can also ensure that the innovation function has the proper governance, processes and metrics to execute on specific initiatives and measure the return on investment. One way to facilitate this governance is to appoint a chief innovation executive who is accountable for coordinating and driving innovation efforts across



the organization. Overall, by treating innovation as a business discipline, organizations inject efficiency into the process, which makes the effort more effective and targeted.

Because an economic downturn usually means limited budget and people resources, it is also critical to channel innovation activities toward the most promising areas—ones that will provide the biggest payoff. In this case, organizations can consider how to use innovation to improve internal processes, or reduce the project or product pipeline.

Accenture delved into this latter concept in our article entitled, “Managing the Challenge of Product Proliferation,”<sup>1</sup> which shows that an abundance of product offerings can bog down an organization both operationally and financially. Too many products in the development life cycle can stall productivity; likewise, too many products in circulation can drive up customer

support costs. In challenging times, organizations must optimize product development practices, phase out costly products and redeploy resources to other critical-path projects.

Lastly, a steadfast commitment to innovation in trying economic times can help organizations get an edge on competition by speeding time to market. Case in point, Accenture helped an international hotel and lodging company harness innovation to accelerate project delivery processes. Now the company can implement new room configurations and décor in select hotels much more efficiently, which has saved millions of dollars.

As a thorough examination of this side of the innovation coin shows, following a disciplined approach to innovation can provide organizations with a sustainable innovation capability for ongoing

improvement through the current cycle and beyond to lasting high performance.

### **Tails Up—Customer Retention and Acquisition through Innovation**

On the flip side of the coin, innovation can be used to retain loyal customers and even acquire new customers as competitors become more aggressive and resort to desperate measures, such as price cutting. Innovation possibilities on this side include installing a more effective customer relationship management capability or applying customer insight to more cost-effectively service lower-end customer segments.

Accenture’s viewpoint on customer retention and acquisition through a fluctuating market is articulated in “Growth in an Uncertain Economy.”<sup>1</sup> The article shares a number of customer-centric strategies for



keeping and growing customer relationships to help organizations stay relevant, competitive and profitable. Among the ideas discussed are helping organizations target new opportunities, renewing the distinctive capabilities that set a particular organization apart, and refocusing the organizational mindset to concentrate on measured growth.

Also on this side of the coin is the idea that innovation can help brace organizations against new competitive threats that may carve into their loyal customer base. While this economic period is affecting companies around the globe, the emerging markets are not necessarily being impacted in the same way. Organizations that were not considered threats before the economic decline may now be able to innovate more quickly, and introduce products and services that are highly appealing to your organization's existing customers.

An example of this advancement comes from the manufacturing industry, a sector particularly hard-hit by the current economic cycle. Asian and Indian auto manufacturers, such as Tata Motors in India, plainly see the opportunities posed by the stalled United States auto manufacturing market. The quick rise of the Tata Nano®, introduced in 2008 as the world's cheapest motor car, demonstrates how customers are currently lining up for low-cost offerings. In this case, companies in the emerging markets may be better positioned to provide certain products and services due to the nature of demand in their home markets.

Fortunately, according to the 2008 Accenture Innovation Roundtable, a discussion that Accenture co-sponsored with The Manufacturing Institute, manufacturers of all types are actively embracing innovations

to improve performance and transform their companies. One of the outcomes of the discussion was a seminal Accenture report, "Innovation in Manufacturing—Driving Greater Returns, Predictable Outcomes and Market Leadership."<sup>1</sup> The report is based on Accenture client experience, key findings from the roundtable discussion and interviews with National Association of Manufacturers (NAM) members.

Geared toward manufacturers, the report includes examples of innovation techniques currently being incorporated by select manufacturers, such as Ingersoll Rand's introduction of highly structured innovation processes, and Corning's efforts to evaluate past successes and articulate an "innovation recipe" to set future sales and profit targets. The article also outlines innovation practices that are applicable to all types of industries and organizations. These

tested Accenture ideas can help organizations develop effective innovation strategies and practices, deliver innovation to customers, and develop innovation capabilities in their people.

As an inspection of this side of the innovation coin reveals, customer retention and acquisition in an economic downturn can happen through innovation initiatives that satisfy existing customers, uncover new customers and identify new markets. For proof, simply look to history. Accenture research shows that some of the most successful product and brand introductions were launched during recessions and weak periods, including the Dell notebook, Apple iPod and Google. All are innovators—and all were decisive at just the right time.

## Spending the Innovation Coin

With an uncertain economy, now is the time to examine both sides of the innovation coin. Whether your organization selects heads for cost efficiencies, tails for customer retention and acquisition initiatives—or more boldly, a combination of both—fortitude in innovation will help carry your business through this economic period and strengthen its competitive essence to achieve and sustain high performance for the long term.

<sup>1</sup>To read the other Accenture articles referenced, please go to [http://www.accenture.com/Global/Consulting/Process\\_and\\_Innovation\\_Performance/R\\_and\\_I/default.htm](http://www.accenture.com/Global/Consulting/Process_and_Innovation_Performance/R_and_I/default.htm)



## About Accenture

Accenture is a global management consulting, technology services and outsourcing company.

Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 186,000 people serving clients in over 120 countries, the company generated net revenues of US\$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is [www.accenture.com](http://www.accenture.com).

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