

## Growth and Innovation

# Moving from Strategy to Execution to High Performance

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Bullish growth across many sectors of the global economy is leading increasing numbers of executives to move "corporate growth and innovation" higher up their strategic agendas. And recent history suggests that powerful boards are more willing than ever to oust CEOs who do not deliver on growth targets rapidly enough.

A recent study from Accenture and the Economist Intelligence Unit points to one troublesome issue: although executives are confident in their growth strategies, they are less confident in their companies' ability to execute those strategies. Only 30 percent of survey respondents believe their companies are strong on executing growth initiatives, and only 34 percent are strong in terms of executing innovation strategies.

Additional research has confirmed this gap between strategy and execution. A new Accenture study, performed in cooperation with the Center for Strategy Research (CSR), involved detailed conversations with about two dozen executives of Fortune 1000 companies, each responsible for overseeing a major growth or innovation initiative. These executives confirmed the importance of innovation to their companies, and strongly linked innovation to the successful implementation of growth strategies. However, the executives sounded a number of common themes when it comes to constraints on execution: budget shortages, an absence of experienced resources and the sense of being restricted by "the way we've always done things."

Accenture believes that overcoming these constraints depends on three related strands of work as part of an integrated transformation effort:

- Establish the processes and technologies by which innovations can be identified and linked to growth strategies.
- Develop deeper capabilities for ongoing innovation, beyond one-off projects.
- Create more responsiveness in the organization, making it easier to respond quickly with innovations in the face of urgent marketplace need.

## Using innovation to fuel growth

The importance of innovation to the executives in our study was clear: all of them agreed that innovation was either very important (95 percent) or somewhat important (5 percent). In the words of one telecommunications executive, "Innovation is the lifeblood of all vibrant companies." But "innovation" means more than just good ideas. Study respondents resolutely affirmed that innovation can certainly mean applying leading-edge technologies, but it must be judged on the basis of business results: improvements to existing products and services, decreasing costs or operating expenses, and meeting customer needs.

In the words of the CEO of a major telecommunications company, "The way [our company is positioned,] we tend to focus on the innovations that will drive down our cost position, so we don't really value innovation just for the sake of innovation. We tend to look mostly at whether it puts us in a position that will

further improve our cost position and our margin position compared to competitors."

Success of an innovation is measured according to financial metrics, according to the executives: increased revenues and profits, improved ability to attract and retain customers, and an improved return on investment. According to a consumer products executive, "The key metric at the end of the day is, are you getting more repeat purchases? You can get somebody to buy something once with artful salesmanship, but repeat purchasing is what really matters. That says that a customer used the particular product, saw value in it and came back and bought it again."

### Developing long-term capabilities to support growth and innovation

To achieve and sustain high performance, innovation must move beyond chance or serendipity. The best companies put in place the structures, processes and conditions that increase the likelihood that innovation will occur over the long run. As one retail executive put it, "We have to make sure not only that we are winning now, but that we're going to be able to win a week from now when our competitors have already copied us or have come up with a similar idea."

Yet here, in developing their companies' internal capability to support growth through a longer-term ability to be innovative, executives often feel particularly constricted. Asked to name their most significant challenges regarding growth and innovation initiatives, the most frequently cited answer was the prioritizations and tradeoffs rooted in limited resources. That is, it is very difficult for organizations to make priorities and investments that balance short-term needs with long-term opportunities.

Two other constrictors, however, point to the need for specialized expertise and for some means to help a company break through an entrenched, "it's the way we do things around here" mindset. That is, "the ability to think beyond the current mindset and culture" and "lack of people with the right talent" are causes for concern among executives striving for high performance through growth and innovation.

Nearly half of the executives with whom we spoke have established an internal team dedicated to seeking and developing innovative ideas. Yet the processes by which innovations are developed raise some concerns. The most important processes noted—a dedicated "skunk works" team or informal processes—

emphasize the one-off nature of many corporate innovation programs. An opportunity is identified and a team is put together to pursue it. Although such an approach may succeed in meeting a short-term objective, it does not develop deeper capabilities for growth and innovation within the organization's structure and culture.

### The ability to accelerate growth and innovation

More than half of the executives in the study indicate that speed to execution is important when it comes to growth and innovation initiatives. Global expansion is one reason cited for improving speed of execution; turning around a troubled business unit quickly is another.

The Internet has heightened the urgency of releasing innovative products and services. As one publishing executive puts it, "Everyone else is in our market space is improving very quickly. If you don't have a good product out there, customers may not come back to you later or they may get accustomed to another site. So speed to develop innovative offerings is important."

The need to balance acceleration with control, however, is equally important. Executives are searching for proven processes that can increase speed while keeping risks as low as possible. According to an executive with a US clothing retailer: "Our biggest challenges are related to speed and ensuring that we've got processes that can support rapid execution, while also making sure we maintain control. Striking the right balance between speed and control is important, and so is quickly making that one-off idea more systematic and scalable. Making sure that we've got resources and the ability to take a great innovative idea and then scale it up quickly—that is critical."

### Conclusion: The high stakes of innovation and growth

Driving growth through innovation is clearly on the minds of business leaders. Yet many executive teams find it difficult to balance short-term, quarter-to-quarter results with the strategic need for faster product development, rapid technology adoption and competitive differentiation.

Accenture research confirms that the next frontier in the maturation of corporate growth initiatives is to harness innovation in more predictable ways. That means developing the deeper capabilities that increase the likelihood of innovation taking place—and of more rapidly linking innovative products, services and processes to profitable growth.

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