MAKING THE LEAP TO NEXT GEN TECH

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The high tech industry has created an image of itself that is hard to live up to. The image: brash, bold, disruptive, innovative, fast-moving. The reality: Today's disrupters are often tomorrow's disrupted.

Consider this sobering fact: Each year, "Inc. Magazine" publishes a list of the 5,000 fastest-growing companies, many of which are in high tech. In a follow-up study, the magazine found that, five to eight years after these companies appeared on the list, about two-thirds of them had gone out of business, shrunk in size or been sold at a loss.[1]

What sets the next-generation high tech companies apart from the also-rans and defuncts? Accenture Strategy has found that successful companies excel across three interconnected components or "systems": (1) an operating system that empowers people to support the vision and strategy; (2) an innovation system to drive future growth; and (3) an underpinning system of culture and values that ensures employees can continuously adapt to, and find advantage from, rapid change (See Figure 1).

Accenture Strategy's experience and research suggest that most companies struggle to simultaneously master all three of these systems. Most do not think about these systems in a holistic and integrated way. For example, 72 percent of high tech executives in an Accenture Strategy survey reported that corporate bureaucracies are stifling productivity and innovation.[2] And 92 percent realize that their organizations must be faster, more networked and more collaborative.[3] The question is: How?
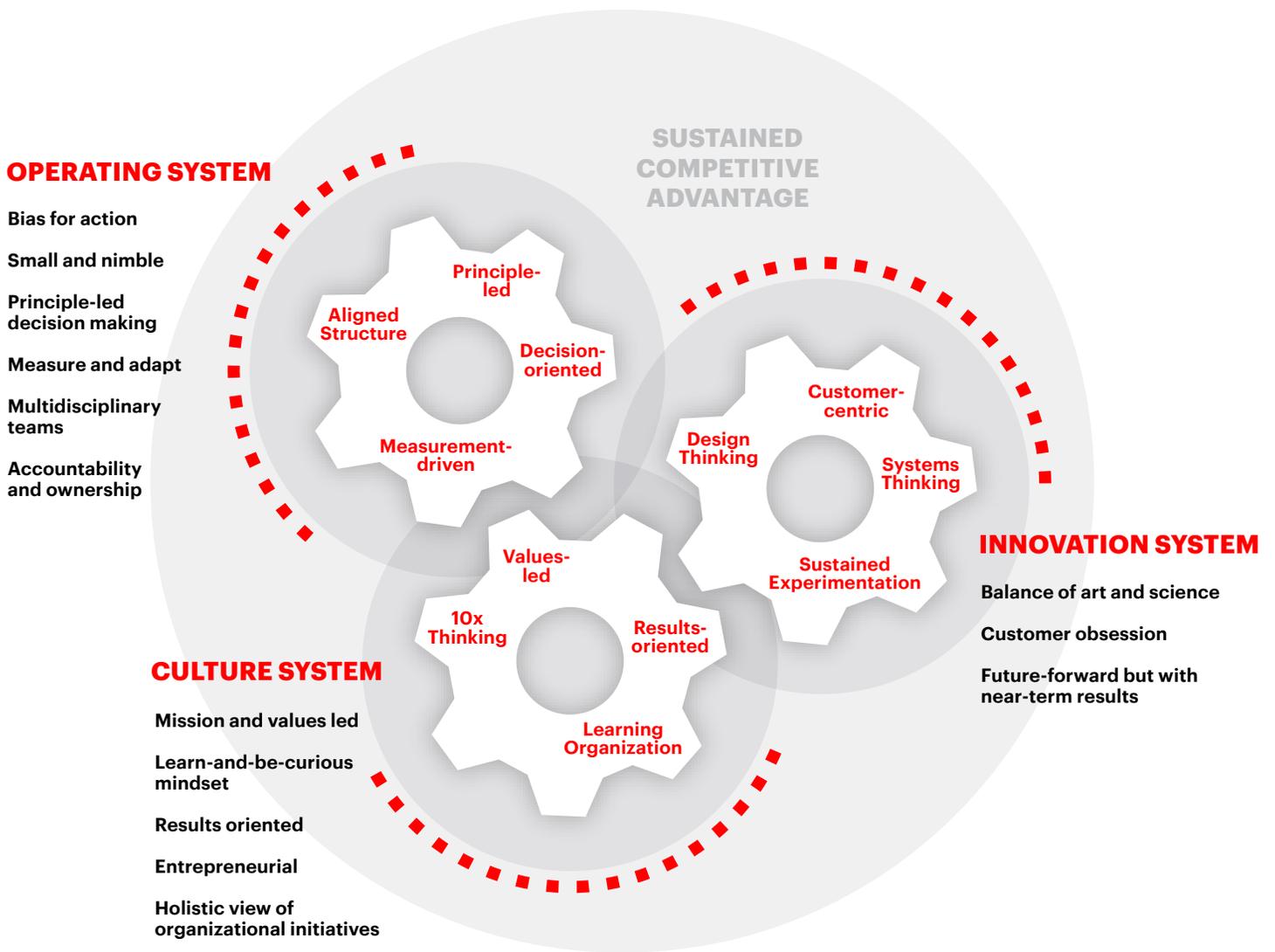
WHAT'S A "SYSTEM"?
In this case, we're not referring to an IT system. We're talking about a field called "system dynamics" or "systems thinking."[4] For example, if you were managing a natural environment, you'd need to think about how the interactions among water, air, soil, plant life, physical features, animals, and so forth impact the health of the entire ecosystem. In much the same way, the most effective leaders of next-gen tech companies manage the interplay of the primary systems of their business—operations, innovation and culture—to keep their organizations resilient in the face of changing market dynamics.
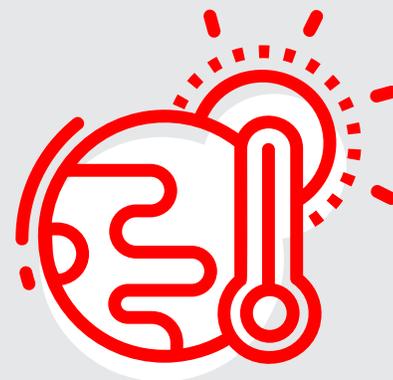
Effectively synchronizing and managing these systems is a particular responsibility of the C-suite. Senior leadership needs the fearlessness to make the leap to new business models, startling and energizing the organization in new ways and creating a culture that empowers teams to act boldly, question relentlessly and strive for results.

FIGURE 1

Sustained competitive advantage comes from mastering and integrating three interrelated systems

OPERATING SYSTEM

Bias for action

Small and nimble

Principle-led
decision making

Measure and adapt

Multidisciplinary
teams

Accountability
and ownership

SUSTAINED
COMPETITIVE
ADVANTAGE

Principle-
led

Aligned
Structure

Decision-
oriented

Measurement-
driven

Customer-
centric

Design
Thinking

Systems
Thinking

Sustained
Experimentation

Values-
led

10x
Thinking

Results-
oriented

Learning
Organization

INNOVATION SYSTEM

Balance of art and science

Customer obsession

Future-forward but with
near-term results

CULTURE SYSTEM

Mission and values led

Learn-and-be-curious
mindset

Results oriented

Entrepreneurial

Holistic view of
organizational initiatives

Source: Accenture Strategy analysis, 2017

LEAPING TO A
NEW OPERATING SYSTEM

In the sport of rock climbing, a point comes in the development of expertise when a climber must let go, literally, and make a leap.

Standard climbing is guided by the principle of always having at least one grip on the rock—one foot or one hand. But some summits can't be attained that way. Sometimes a climber must move to a new path up the rock face, and that involves what's called a "dyno move"—a dynamic leap where all four contact points leave the solidity of the current grip and leap to a new one.

That's analogous to what's needed when it comes to implementing bold new strategies: A move such as Microsoft's when Satya Nadella led the company's major transition toward cloud computing, open source and making better products for competing operating systems.[5]

What can other companies do to take similarly bold actions when it comes to their operating systems? Leaders, it's time to look in the mirror. The muscle energy of a dyno move comes primarily from senior leadership. The company as a whole—a complex set of systems—tends to become complacent and resistant to change. It's up to the C-suite and other major influencers to help the entire organization take new directions and support the leap by establishing ways of working that support clear business outcomes.

GREAT DYNO MOVES IN HISTORY

- Intuit embracing design thinking and improving the customer experience in 2014[6]
- Mark Zuckerberg transitioning Facebook to be mobile centric in 2015[7]
- Adobe adopting a subscription business model[8]
- Netflix making the transition from a DVD business to an online business[9]
- Amazon going all in on Amazon Web Services[10]

HOW TO SUCCEED WITH YOUR
INNOVATION SYSTEM

An innovation system is a set of interdependent processes and structures that dictates how the company addresses existing customer or marketplace needs and anticipates future trends.

The innovation system transforms good ideas and technologies into sound business concepts and designs. It is also rigorous in determining which projects get future funding and which get shelved.[11]

Innovation is, of course, a hallmark of high tech. But for many companies, innovation is not being adopted widely enough. According to Accenture Strategy research, 76 percent of executives surveyed agree their organizations are under extreme competitive pressure to extend innovation into their workforce and corporate structure.[12]

An effective innovation system is future-oriented while still looking for near-term results. At Google, long-term planning is an executive-level priority in line with the overall vision and strategy. The organization actively invests in and researches new, emerging technologies. Depending on the idea, management creates different team configurations. A primary goal is to factorize and show progress over time.[13]

One of the other primary attributes of an effective innovation system is customer obsession. Such an obsession takes a company from being customer-*focused* to being customer-*centric*. For example, in product development, a customer-focused organization seeks customer feedback through things like surveys. But a customer-centric organization is more innovative. It tries to anticipate future needs by analyzing behavioral patterns and market trends, and by leveraging data it gathers during customer interactions.

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FOSTERING A
VALUES-LED CULTURE

Culture is the binding force that holds all the systems together and keeps them on track. Properly understood, culture is present in all the attributes of the other systems.

One way that successful companies create an effective culture is by grounding all planning and action in a mission that is clear and formative. Google's Larry Page has rooted his culture in what he calls "10X thinking." Most companies decay over time, says Page, because they tend to do approximately what they did before, with a few minor changes. True innovation, on the other hand, "happens when you try to improve something by 10 times rather than 10 percent."[14]

Effective leaders are not afraid to inject unusual thinking into their efforts to shape culture. At Alibaba, for example, Chairman Jack Ma speaks not only of IQ and EQ (emotional intelligence) but also "LQ": love quotient. Being a leader, says Ma, "is actually being the humble servant to the talent, to make sure they get what they need and you understand where they need to go."[15]

Finally, however, culture is not only about the "soft" stuff. An effective culture also expects results. Tesla's cofounder and chief technical officer J.B. Straubel notes that CEO Elon Musk "challenges everyone to work incredibly hard...to a degree that is pretty unusual, and it is highly uncomfortable for most people, but the results are fairly undeniable. If you challenge people to work hard, they achieve more than they think they can."[16]

MAKING YOUR
DYNO MOVE

The rapid shift to digital has left many companies scrambling to focus on one or two systems. **Here's the key:** Companies that get their systems working together—most of the time—are the most successful.

System alignment is a C-suite responsibility. CEOs and their teams will shape, guide and continually measure progress. This requires playing multiple roles as they work to harmonize the systems:

THINKER
Develop pragmatic and visionary use cases to influence change, using the three systems.

MECHANIC
Innovation isn't just about inspiration. It's about being able to fine-tune the system to generate power over time.

DESIGNER
Create an operating system capable of long-term agility—including after your leadership tenure.

COACH
Expect excellence. Root out complacency and intentional confusion. Involve your employees in creating a culture that drives the right mindsets and behaviors to support your vision.

LEADERSHIP
AND **COURAGE**

What's the common thread across successful next-generation high tech companies? The leaders have **INVESTED** big in creating alignment between their operating system, innovation system and culture system. They demonstrate **COURAGE** in making a "dyno move" toward new operating and business models. They drive **INNOVATION** through customer centricity and sustained experimentation. And they create a **CULTURE** that is both supportive and results-driven.

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