TRANSFORM AT SPEED
Run your business at a smart sprint
Life sciences is now offering customized gene therapy to improve patient outcomes.

Consumer goods companies are using digital tools to allow customers to co-create, customize and take control.

Retailers are sensing and responding to what shoppers want in an integrated marketplace and delivering products and services anytime, anywhere.

Hotels are offering customized, relevant services to give connected travelers the experiences they want.

Auto manufacturers are becoming software and mobility companies that give drivers timely access to the latest technology.

The industrial industry is even moving from mass production for anonymous customers, to hyper-personalized demand-driven production that meets the needs of individuals.
COMPETITIVE AGILITY FOR GROWTH

Digital is upending business. Industry lines are evaporating. New competitors are arising. Traditional companies need to do far more than just try to survive. Many have cut costs to stay in business. While cost reduction may keep the lights on, it does not ignite growth. To thrive, these companies need to be able to flex, to have competitive agility. They need to identify and pursue new ways to increase margin and fund investments that will drive new growth.

Companies born in the digital era—and some progressive traditional companies—are showing the way. They are disrupting themselves. They know where their businesses need to go. To get there, they are simultaneously delivering returns to shareholders, while investing in new capabilities. For example, leading companies are developing their future adaptive workforce, including harnessing automation and artificial intelligence (AI). As transactional, repetitive tasks are pushed to machines, these companies are elevating humans through reskilling and an adaptive workforce. The result is they are reducing payroll costs while adding needed skills to better meet customers’ needs. Another example is companies that are partnering with their ecosystems to be asset-light and cost-efficient, while offering to customers new capabilities and services.

Successful businesses are bridging today and tomorrow. They know how to keep the core business strong and efficient while making informed investment decisions about the right capabilities to create new revenue streams.
How can companies compete and grow? The digital age calls for a new approach. Companies need to make a Wise Pivot to create and grow their new businesses (Figure 1).

1. Transform the core business:
   To drive up investment capacity.

2. Grow the core business:
   To sustain the fuel for growth.

3. Scale the new business:
   To identify and scale new growth areas at pace.

Source: Accenture 2018
THREE STEPS TO CREATE THE FOUNDATION FOR GROWTH

Companies need to create competitive agility by doing three things, all while maintaining an attractive ROI for investors. The Wise Pivot has to deliver short-term returns while positioning the company for future growth. Here’s how:

1. GET FIT
Successful companies get ultra-efficient in their core business, e.g., by using methods such as zero-based budgeting (ZBB)—budgeting from zero each year. A zero-based mindset is critical to gaining full visibility of all processes and spend. By evaluating each through the lens of what’s most important to meet customer and business objectives, the unnecessary items, or fat, can be identified and cut. Many companies have taken this approach to the back office, but they also need to apply the same mindset to the front office. Bringing this discipline across the entire P&L helps drive out unnecessary costs across the enterprise. More specifically, ZBB forces the business to answer the tough questions: Is each line item needed? Zero-based spend focuses on nonlabor overhead costs, such as sourcing and procurement. Businesses are also exploring techniques such as zero-based supply chain to reduce cost of goods sold (COGS) by identifying priority costs and enabling continuous renewal that constantly resets the cost baseline. Additionally, a zero-based front office can improve marketing, sales, customer service and pricing to lower customer acquisition costs while optimizing customer spending. These measures can transform the core business and get it fit for future growth. All remaining investments should align with the business strategy.

According to Accenture research, more than 91 percent of zero-based budgeting (ZBB) programs have met or exceeded their targets.¹
2. BUILD MUSCLE
Cost reduction fuels investment in essential new capabilities. To build muscle, companies need to create intelligent functions by harnessing humans and new technology, and by organizing resources and processes around desired customer outcomes. Data and analytics are at the heart of intelligent functions. They enable companies to expand into adjacent businesses to increase income and deliver ROI. For instance, when Pepsi® saw the health trend coming, it acquired new businesses (waters and energy drinks) and healthy snacks that kept it relevant and opened up new customer segments. Some companies may choose to revamp product lines.

Building muscle means never losing sight of the need to deliver a differentiated and consistent customer experience across all channels. It also requires a mindset centered on continuous innovation. Businesses need to change their operating models, create their future workforce and apply new technologies. Examples include:

**Marketing:**
Analytics and new IT enable hyper-personalization and targeted marketing along the entire customer journey. Data insights reveal which sales offers and coupons will yield the most revenue from customers. Companies that are more targeted in their marketing efforts can reduce ad spend by investing dollars where they have the highest ROI.

**Supply Chain:**
New IT helps a company’s efforts to get the right product to the right place at the right time. It can also be a driver of differentiation. Many (71 percent) supply chain leaders believe that by the end of 2020, the supply chain will be a key driver of better customer service for their organizations. Emerging technologies can automate and add intelligence to the supply chain, helping manage operations at a new level of speed and scale that aligns with the business strategy. For instance, using analytics, a business can see trends coming and match inventory with need. It can therefore spend less on inventory and increase sales by reducing out-of-stocks.

Fit for future growth
UK-based home improvement retailer, Kingfisher plc. is infusing digital innovations into its customer experience and sales channels. The endeavor includes improving Kingfisher’s websites, marketing efforts and the company’s click and collect program. Kingfisher has already driven efficiencies to release funds to support its goals. For example, it has standardized its group-wide processes, consolidated its supply chain and centralized purchasing and inventory management. These initiatives led to GDP£30 million in cost savings in the 2016-17 financial year.
Bold moves to bolster growth
CVS began as a discount health and beauty store in 1963, adding in-store pharmacy departments four years later. In 2006, it acquired MinuteClinic, the pioneer of in-store health clinics. Change at CVS Health is a continuous and deliberate journey. Notably, through the transformative merger with Caremark Rx, Inc. in 2007, the company created CVS Caremark, the nation’s leading Pharmacy Benefit Manager. The company has invested substantially in digital technology and analytics tools across their enterprise to help facilitate patient care coordination and improve health outcomes.4

Human Resources:
A business can use analytics to be more strategic and efficient in how it uses its core workforce. For instance, using analytics to identify skill gaps. The business can then opt for an adaptive workforce to fill critical temporary needs or talent gaps, without having to invest in full-time employees. AI can automate certain tasks that do not require human judgment, freeing workers to be strategic, creative and innovative, focusing on activities that differentiate the business and help drive growth.

3. FLEX YOUR MUSCLES
Once muscles are developed, they can be flexed to scale new businesses and aggressively fuel growth. With intelligent functions, resources and processes are reconfigured around customer outcomes. Companies can realize incredible value by working across the “seams” of the functions. The ecosystem enhances the strength of an individual business; i.e., increased customer data and insights allow your business to be faster and more responsive in its supply chain. And by combining your company’s core capabilities with the core capabilities of an ecosystem partner, each business can do what it does best and collectively offer customers more convenience and better experiences: a one-stop shop.

PIVOT TO PROFITABLE GROWTH
Every business has different needs and is at a unique stage of maturity, so there is no single blueprint for next steps. However, the leaders will be the ones that transform existing businesses while decisively expanding into new businesses. They will make a Wise Pivot by identifying and scaling new growth areas at pace to not only survive, but also thrive.
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