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DEMYSTIFYING INNOVATION – UNPACKING THE OPPORTUNITY FOR SOUTH AFRICAN ORGANISATIONS





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The ability to innovate and to consistently unlock value within business, now and in the future, is one of the most important criteria for success in the digital era. Research from Accenture indicates a growing challenge ahead for South Africa — with only 3 percent of South African organisations successfully unlocking trapped value. Innovation champions with the capability and savvy are showing the way.

Companies are accumulating trapped value

Exponential technology innovations and the declining cost of advanced technologies are creating abundant value opportunities for companies to raise efficiency and develop new kinds of products, services and business models. The winners are innovating—using digital technologies to unlock value in their current businesses, seize new market opportunities and scale up innovation. These are the disruptors.

In South Africa, Accenture’s research shows that most companies are on the wrong side of disruption. They are struggling to convert the opportunities presented by advanced technologies into value.

We measured trapped value in two ways: by how consistently companies release value in their current business, and how much more value they are expected to release in future. Our data shows that the largest share of organisations in South Africa—76 percent—are “omni-trapped”, meaning that they do not achieve both.

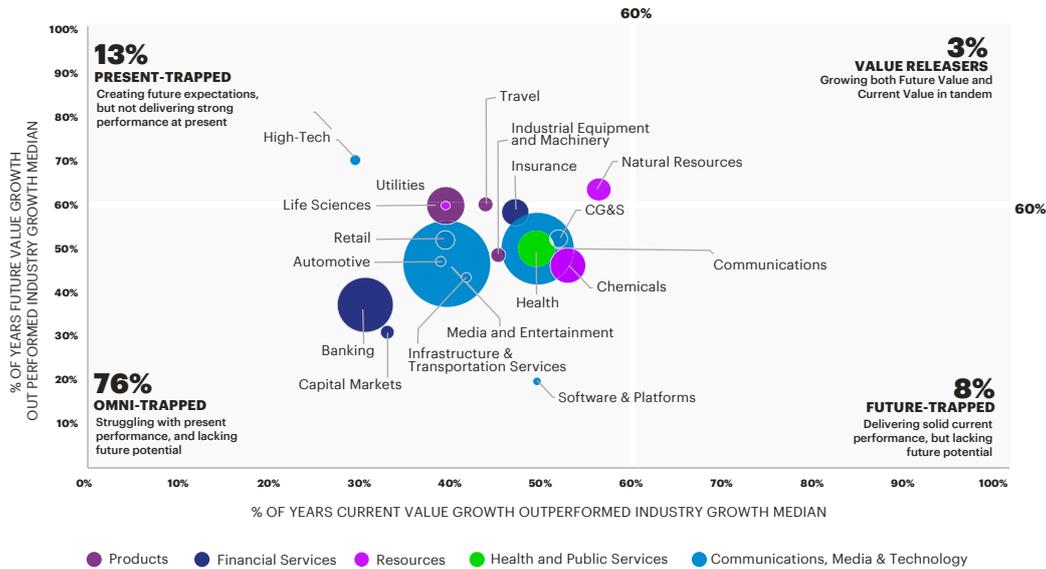
At the other end of the scale, only 3 percent of South African businesses (compared to a global average of 14 percent) are value releasers—companies able to take full advantage of opportunities to release trapped value. Clearly, South African businesses need to rethink their response to disruption.

76% OF SOUTH AFRICAN COMPANIES ARE “OMNI-TRAPPED” —THEY ARE STRUGGLING TO UNLOCK TRAPPED VALUE IN THEIR CURRENT BUSINESSES AND TO CREATE FUTURE VALUE

3 OUT OF 4

SOUTH AFRICAN EXECUTIVES EXPECT THEIR INDUSTRY TO BE SIGNIFICANTLY DISRUPTED IN THE NEXT 3 YEARS

Figure 1:



Source: Accenture Research analysis based on CAPITAL IQ data

Why is this so important right now?

ABUNDANCE FOR ALL

This is a critical period for South Africa and for businesses across Africa. Africa is a continent alive with potential and real innovation.

Take ride-hailing company Lyft, for example, which listed at a market cap of \$26 billion. The founders of Lyft first spent five years developing Zimride, a successful rideshare programme in the United States that was inspired by observing a grassroots transport system developed by Zimbabweans who didn't have access to public transport.

An innovation architecture can help realise this potential, unlocking Africa's abundance for all by addressing endemic challenges, such as access to healthcare, education and basic services, and helping businesses raise efficiency, develop new kinds of products, services and business models to access new markets and growth opportunities.

DISRUPTION IS A REALITY

Business leaders in South Africa know that technology-driven innovation and innovators are going to disrupt the status quo and shape a new reality for their industries, but many feel unprepared for the level of potential disruption they face.

Results from interviews with 100 C-suite South African executives from across 11 industries indicate:

- 75 percent expect their industry to be significantly disrupted in the next three years.
- 46 percent feel unsure or dissatisfied that their company's innovation efforts will position them well to overcome future disruption.
- Almost half concede that their companies are not prepared for disruption.

To prepare for disruption, our research indicates that South African businesses need to make innovation part of their DNA.

INNOVATION MATTERS: UNLOCKING TRAPPED VALUE AND MANAGING DISRUPTION

Accenture's analysis of high-growth companies—those that have outgrown their peers in the last five years and are expected to outgrow their peers in the next five—show that these companies successfully unlock trapped value and manage disruption by doing two critical things:

- They 'Innovate by Design', building the capacity to innovate by putting in place an innovation strategy, culture and architecture.
- They embed innovation in their everyday business by applying seven practices that successful innovators share: they are hyper relevant, network-powered, technology-propelled, asset-smart, inclusive, talent rich and data-driven.

How South African organisations measure up?

Using a bottom up approach, we identified 81 factors from these insights and used them as a basis to develop the Accenture Innovation Maturity Index.

This index measures the maturity of a company's innovation capability—the innovation structures and practices it has in place.

INNOVATE BY DESIGN

Build the formal mechanisms for reliable innovation.

- Define an innovation strategy. Successful innovators aim for disruptive advances rather than incremental improvements; they balance innovation between old and new, and make sure it is quantifiable.
- Instil a culture of innovation in which creativity is encouraged and rewarded, and ideation is applauded.
- Create an innovation architecture that specifies clear processes for moving innovation from ideation through R&D to mass-market commercialisation. (see figure 2.)

EMBED INNOVATION PRACTICES

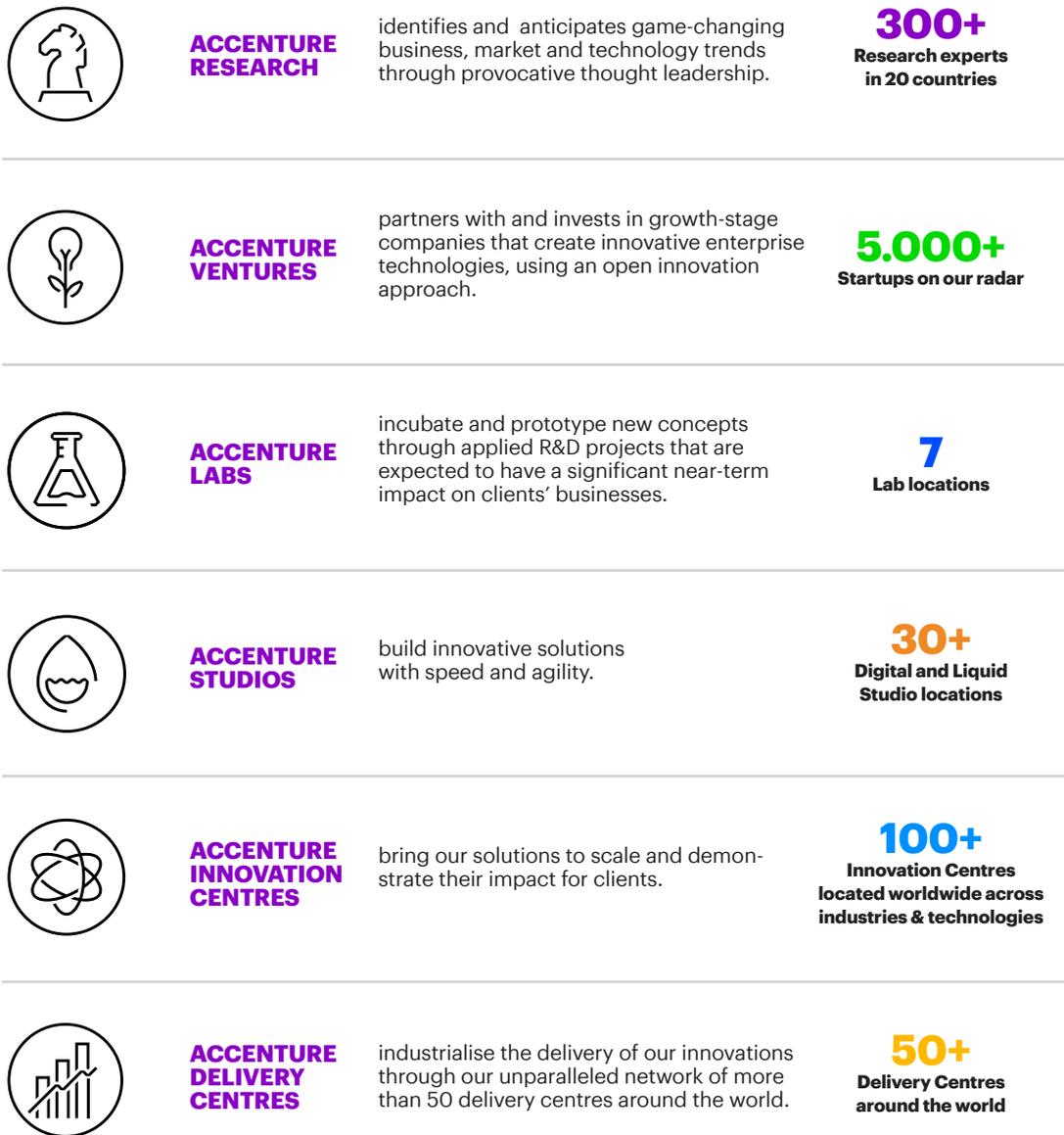
- **Data-driven.** Generating, sharing and deploying data to deliver new product and service innovations safely and securely.
- **Hyper-relevant.** Knowing how to be—and stay—relevant by sensing and addressing customers' changing needs.
- **Talent Rich.** Creating new, modern forms of workforces (flexible, augmented and adaptive) to gain a competitive advantage in fast-changing markets.
- **Asset smart.** Adopting intelligent asset and operations management to run businesses as efficiently as possible, and to free up the capacity for other innovative efforts.
- **Inclusive.** Adopting an inclusive approach to innovation and governance that incorporates a broader range of stakeholders.
- **Network-powered.** Harnessing the power of a carefully managed ecosystem of partners to bring the best innovations to your customers.
- **Technology-propelled.** Mastering leading edge technologies that enable business innovation.

THE INNOVATION CHAMPION APPROACH

What sets Global Champions apart is their focus on building an innovation architecture—the actual processes that are used to find ideas and bring them all the way to full-scale innovations.

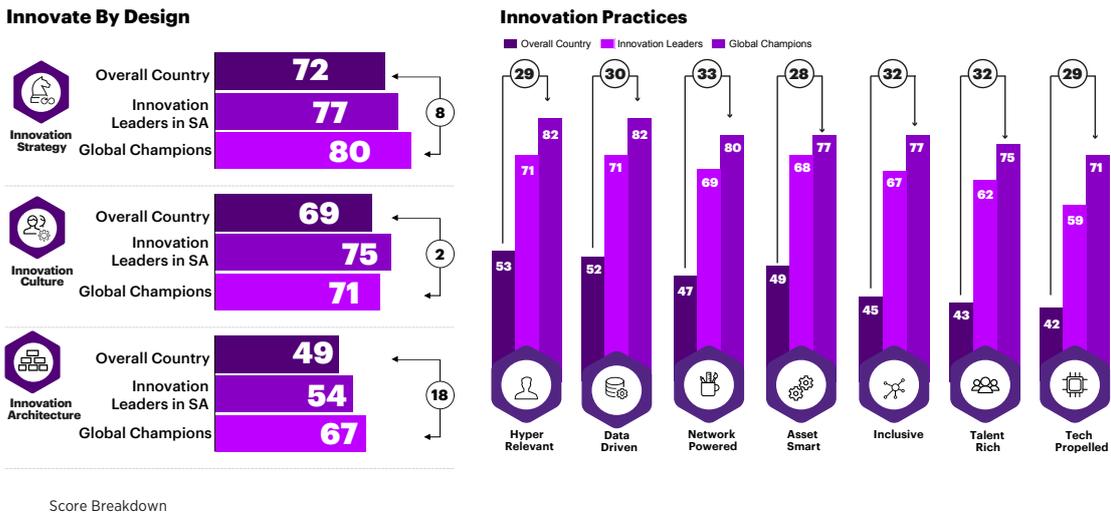
Our research also indicates that Innovation Champions outscore South African companies by almost 30 points in each of the seven key innovation practices.

Figure 2:



**CHAMPIONS BUILD
INNOVATION PRACTICES
INTO THE FABRIC OF THEIR
BUSINESSES**

Figure 3:



Global champions build innovation into the fabric of their business by adopting all innovation practices, but they stand out most in their ability to continuously be network powered, data driven and hyper relevant.

WHAT DOES THAT LOOK LIKE? CONSIDER THE FOLLOWING EXAMPLES:

NETWORK POWERED:

Additive manufacturing company Carbon is collaborating with Adidas to create the Futurecraft range of personalised 3D printed shoes.

Carbon's Digital Light Synthesis system enables Adidas to test and prototype design concepts 10x faster than previous methods, allowing Adidas to rapidly scale production.

DATA DRIVEN:

Oil producer Chevron spent \$4.3 billion in 2018 on shale basins, approximately 20 percent of its total spend.

It is using data-analysis expertise gained at its offshore wells to make horizontal drilling more efficient. This analysis is based on a proprietary database of over five million well attributes, supplemented by data analytics of petrophysical properties.

The insights gained helped Chevron reduce the time taken to drill a shale well from 27 days, to just 15 days, for longer and more complex wells.

HYPER RELEVANT:

Tommy Hilfiger's runway collections are instantly available through TommyNow, the company's "see now, buy now" initiative.

This initiative eliminates the standard six-month wait between the runway and retail. As soon as shows begin, shoppers can order items through the label's digital platforms, and an event live-stream.

POSITION FOR FUTURE SUCCESS

We believe that all too many times innovation is seen as intangible and a buzz word used loosely not linked to achieving business value. At Accenture innovation is defined as a new way of doing things that adds value. Having the right innovation structures and adopting practices that allow organisations to unlock trapped value will better position them for future success.

ABOUT ACCENTURE

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