



# GAINING COMPETITIVE AGILITY IS KEY TO DRIVE GROWTH

## AUDIO TRANSCRIPT

Welcome to Competitive Agility. The new podcast with Accenture's Senior Management Team, where we try to unravel the mysteries of agile business operations and how companies can identify and pursue new ways to increase margin and fund investments that will drive growth.

I'm your host, Brian Vabulas. Today, we're talking with Mehul Desai, Managing Director and North American Co-Lead of Competitive Agility.

Q1) We're kicking off our podcast series by exploring the concept of competitive agility for business growth. Mehul, welcome to the show. Why don't you tell us a little bit about yourself?

MEHUL DESAI: good to be with you, Brian. And thanks for the opportunity. A little bit about me, I've had about 20 years of consulting experience, primarily focused on consumer goods and retail. And for the last five years, I've been in Accenture working very closely with some fairly significant consumer goods and retail clients and helping them drive their cost transformation programs.

We help clients think about what comes after in terms of how do you drive capabilities to enable growth as they find the funds using zero-based thinking within their operations.

Q2) BRIAN VABULAS: Great. I've read something around competitive agility is kind of like the corporate world's version of being a highly trained athlete. So what does that exactly

mean to you?

MEHUL DESAI: It means that businesses need to learn how to operate as an athlete. They need to run their businesses at a smart sprint. If you notice, Brian, digital disruption is significant. Boundaries between industries and functions are disappearing. We are being called in to talk about what new capabilities are needed to drive growth, what new capabilities are needed to be prepared for the future and it means that businesses must not only deliver on the current expectations of profitability and to ensure that the shareholders get the necessary returns. But they are also expected to continue to invest in new capabilities, which means that they have to find the opportunities to continue to drive greater margins and to ensure that they're able to fund those investments.

So that is what competitive agility means. It means continuing to operate in the now to drive profitability, but at the same time being very targeted about what new investments are needed to be ready for the next wave of growth.

Q3) BRIAN VABULAS: So what I'm hearing is it's a multi-faceted, approach. And really, you need to be driving growth. It's critical. But why? Why do we need to drive growth?

MEHUL DESAI: If you look at the competitors that some of the traditional companies have today, a lot of the competition isn't coming from the traditional sources. I would say about 8, 10 years ago, companies in the consumer goods



industry would be looking to traditional sources of competition. However, as we look at the new sources of competition, for many of these very established companies, they're, in fact, coming from places that they never imagined.

At the same time, a large part of the transformation in these large companies have been driven by the fact that there are companies that have been essentially born out of the internet and the digital era, who are going and disrupting themselves almost on a daily basis. So successful businesses have to think about how to operate in today's environment, as well as about how to drive growth. Because at the end of the day, consumers are going to continue to engage with companies that are going to drive experiences that are more relevant to them.

So it's important that these companies, the traditional companies who have been around for a long time, they make what we call is a wise pivot.

Q4) BRIAN VABULAS: So I'm hearing a lot about disruption, traditional companies, even the non-traditional companies doing a lot of disruption. And then you mentioned the phrase wise pivot and I've been hearing this a lot. What is a wise pivot and then how do I leverage that to really create this as a foundation for growth?

MEHUL DESAI: In very simple terms, it is essential organizational change. And we think about wise pivot in three steps and let's be clear, these aren't three steps that are taken sequentially, but in many cases, these have to be done almost together.

So the first step is getting fit. What does that mean? It means that successful companies have to get extremely efficient in their core business. One of the methods that we've seen a lot of companies adopt is zero-based budgeting. And why is zero-based budgeting important? It helps companies adopt a behavioral and a mindset change that is critical to getting full visibility to its processes, operations and spend, both internal and external. And thereby, it allows them the ability to be able to get efficient and sustain that efficiency.

The second part is building the muscle. Now this requires being very mindful about where are we

going to seed these sources of competitive advantage? In many cases, the sources of competitive advantage are going to come in from the workforce. In some cases, it is going to be a combination of technology, whether it's organically built internally or leveraged through a set of ecosystem partners.

But at the same time, as these companies are building muscle, using a combination of internal workforce, technology and external partners, we have to make sure that they do not lose sight of customer experience. Continuous innovation is the bedrock of building muscle.

And finally, the third step in the process is flexing those muscles. And you flex the muscles by scaling the new businesses and by aggressively feeling the growth. Now, it's important to remember that it's not as important to build all the capabilities internally. What we've generally found is that companies start to build a lot of the capabilities internally to try and gain competitive advantage.

It is becoming increasingly important for companies to leverage ecosystem partners. And it's only by doing that, that companies can focus on doing what they do best, while letting the ecosystem partners doing what they do best and then collectively, offering the customers a one stop shop, which in turn will allow them to be able to flex the muscles and continue to gain and retain that competitive advantage.

Q5) BRIAN VABULAS: I love the fitness metaphor of, you know, getting fit, building the muscle and then actually flexing the muscle. I want to dive in a little bit to the first metaphor around getting fit. You know, it's the first thing you need to do and you mention it's zero-based budgeting. Can we dive into a little bit of what's the thinking currently and how have you seen it evolve over time?

MEHUL DESAI: What we are seeing is that successful companies today are going past using zero-based budgeting as just a cost cutting or a budgeting technique. That was the case in the last decade where a lot of companies use the opportunity to get visibility to their spend and their operations and took a lot of cost out.

However, the companies that are really evolving



zero-based thinking are starting to use the zero-based mindset as a tool to create ongoing and sustained visibility into their processes. They're using that to reimagine not just the operating model as it relates to the way they construct the operating model within their businesses, but also in conjunction with what the operating model would look like with their ecosystem partners.

And the goal is what kind of an operating model would be required for the companies to continue to drive growth in the digital era.

Now this zero-based mindset, focuses the leadership to have honest conversations internally on what aspects of the operating model and processes are important today to continue to drive customer experience and growth? And where do we really need to make the new investments, so that we are better prepared for the future?

So the whole concept of zero-based thinking is evolving towards almost a mindset shift so that at any point in time, in any given year, we are constantly going to challenge our operating model and challenge our ways of working, so that we stay relevant to the consumer and we continue to operate in as lean a way as possible.

Q6) BRIAN VABULAS: And I love the comment of we're going to stay relevant, we're going to stay lean, but we're going to grow. What are some areas where you invest some of that cost savings when you make new investments? And then how does that support growth strategies?

MEHUL DESAI: A lot of the investment areas today are as we think about artificial intelligence, analytics, automation and they've been invested in for two purposes. The primary purpose being, how to drive better customer experience. Companies are also realizing that those investments are, in fact, performing the added benefit of helping taking costs out of the system. And that's all the more reason why the business case for these investments are becoming increasingly relevant.

The other areas where investments are happening is how do we invest in our workforce to ensure that this workforce works with this constantly evolving technology differently. You know, the future, Brian, is going to be about the

Human + Machine. And you can invest in all the technology, automation, AI, but if you do not ensure that your workforce can engage and interface with those technologies in an efficient, effective and an agile way, companies will not be successful. So they've got to be able to invest in the technology, as well as the workforce.

Now, let's be clear about one thing. Every business cannot invest in everything at the same time. Businesses have different needs, they're at different levels of maturity, some have anticipated certain needs and have been making those investments in anticipation and some haven't. It is important that they're very targeted about how these investments are made.

In many cases, some of these investments can be made by ensuring that they are funded as they go. No matter what you do, it is critical to ensure that the core business is kept strong because at the end of the day, the funding mechanism for any of these new capabilities can only happen if the core business is strong and we are able to constantly meet the requirements of return to shareholders.

Q7) BRIAN VABULAS: So now that we're focused on growth and we're fit, how do you really reinvest that? How do I take that to the next level? What kind of questions are you hearing?

MEHUL DESAI: The areas that we are finding ourselves engaging with our clients now are help us understand how a functionalist organization will operate in the future. Help us understand how I can drive continuous innovation in my business at all levels within the organization, not just in terms of the products and solutions that I sell to my consumers, but also in the way I operate my business, so that I'm one or two steps ahead of my competition in delivering those products and services in an efficient and agile way. And then the third area that we are called in for is help us understand how to balance the focus on being locally relevant while we are globally efficient. And that is a tightrope to walk, especially for businesses that have been in existence for long periods of time and have operations in multiple countries.

Q8) BRIAN VABULAS: What are some barriers you see that are facing some of these



companies as you're looking for growth?

MEHUL DESAI: I think there are a whole bunch of barriers that every business typically faces as they are trying to realign themselves and drive growth.

The first one being balancing between addressing the local needs, as well as trying to scale globally. How do you balance those two? And this is where a combination of ecosystem partners, creative thinking, the operating model thinking can actually come into play where businesses are able to balance the two.

The second area that they're struggling with is most of our clients, Brian, tend to be businesses that have been in operations for a long time. And what we generally find is that they struggle with getting culture to buy-in and managing that pace of change while continuing to operate.

I have very often seen businesses and organizations being brought to their knees as transformation unfold. You can have the best ideas on the table, you can invest in best technology, but if you do not find ways to engage your organization and your people within the organization, transformations will not deliver the value that they were supposed to deliver.

And the third, very important barrier that I've seen businesses struggle with is in the area of talent. As we think about operating in the digital era, it is very important to have honest conversations internally at all levels of the organization on how talent needs to be reached at all levels of the operating model.

And it is also important to think about where do we really tap into the talent? Do we really need to have the talent internally or do we have an opportunity to leverage ecosystem partners to be able to bring in those talents at the appropriate places and stages of the journey.

Q9) BRIAN VABULAS: So given some of those barriers that you just talked about, how do you overcome some of those to reach agile success or have you seen any great examples of this happening?

MEHUL DESAI: Every company is at different stages of their journey in trying to address these challenges. I think addressing these barriers starts with having a clear understanding of what truly makes the organization tick, what is the vision and what are the competitive advantages that they need to go create to be able to not only survive and thrive in today's environment, but position themselves for the future.

Most leading companies continue to make progress in this area, there are some who embrace this journey better than others. And I'll take the example of UK based home improvement retailer. The getting fit and the building muscle part of that this company has really focused on. And I'm very confident that they're going to start flexing those muscles when they build that muscle.

But what they've done is, as a part of building the muscle, they have decided to infuse digital innovation in their customer experience and sales channels. And that includes how they're going to improve their websites, their marketing efforts and the company's click and collect programs.

Now these require a lot of investments. These aren't things that you just make a decision on and find the money and go to do it. So what this company has done is they've realized that for them to be able to find these funds, they also have to get fit. And to get fit, the retailer chose to drive efficiencies by standardizing its core business processes, by consolidating its supply chain and by centralizing its middle office or its procurement office in terms of the purchasing and inter-management capabilities.

What this retailer is doing in a relatively short timeframe of between 6 to 9 months is they were getting fit and building muscle both at the same time. This is a good example of a company who is clear about what it takes for them to be relevant to their consumers today and what they think is critical for them to build capabilities for the future and is also willing to make the hard decisions on what they're going to need to do in their operations today to get fit.



Q10) BRIAN VABULAS: Again, going back to the fitness metaphors, I love it. It is about growth. It's about getting fit. What's the strongest advice you can offer companies on embracing competitive agility?

MEHUL DESAI: One word, excitement. Embrace competitive agility with excitement. The reward for companies that made this leap is not just in terms of driving shareholder value. But it is actually about the confidence that the businesses are thinking about not just operating in the now to drive profitability, but they are constantly thinking about how they should be investing in new capabilities to drive growth.

At a time when growth is top of mind for executives, the ability to drive efficiencies by getting fit, the ability to be clear about where the new capabilities are and to drive innovation by building muscle and by flexing those muscles, provides businesses the opportunity to expand into new areas and that is where I think the excitement is. Excitement not just in terms of the businesses and the leadership that exists today, but for the employees who work within the company, for the ecosystem partners who are engaged with those businesses, essentially creates an excitement which can be fairly addictive. And actually, in fact, can help businesses propel to the next level of growth.

BRIAN VABULAS: I can really hear your excitement. I'm excited. I want to get fit and build some muscle and flex. It's really been a delight speaking with you today and you taking the time to speak with us about competitive agility. To everyone out there, please stay tuned for more leadership podcasts on Competitive Agility soon. And we'll hear others on Accenture's Senior Management Team. Thanks so much.