



CONQUERING DISRUPTION DENIAL

AUDIO TRANSCRIPT

How to make a wise innovation pivot in the time of extreme polarities.

In an era of increasing disruption, innovation is vital. However, beyond the buzzword, business leaders struggle to define and actualize innovation within their organizations.

In just a few recent years, smartphones put the largest mobile phone manufacturer out of business. Digital photography displaced the film-based camera market and, now, smartphones are disrupting the industry yet again with their high-end lenses.

There's no denying that new business models and industry-disrupting startups are putting pressure on leaders to act. Some are forced into oblivion. However, those who pivot to pursue new growth opportunities through innovation can maintain, and even surpass, their position in the market. That's easier said than done.

NOT ALL INVESTMENTS ARE EQUAL

Accenture research found that incumbents and startups together spent US\$3.2 trillion on innovation-related initiatives between 2012-2017.¹ This included investments in research and development, technology, corporate venture capital, and mergers and acquisitions. However, only 14 percent of those surveyed turned these investments into real value. The others saw a 27 percent decrease in return on investment. The obstacles they face are significant.

The most significant obstacles to innovation in large companies are:

Lack of the right strategy or vision - 36%

Lack of budget - 41%

Lack of agility to adapt to external triggers -42%

Cultural issues - 45%

Lack of organization alignment -55%

How can CEOs foresee disruption before it happens? Also, how can they prepare their organizations to navigate these turbulent times better?

While there are no simple answers, here are two strategies that business leaders can adopt when facing these obstacles.

Strategy 1 - FAIL FAST, SUCCEED FASTER

Even in this era of glaring disruption, many organizations are still in denial. 51 percent of organizations still perceive the proliferation of digital giants as having little or no impact on them. When the fact is, to successfully navigate and thrive in disruption, organizations must be fully aware of the external environment.

Innovation models vary from organization to organization—from simple ideation workshops to corporate venture capital investments. However, only a few organizations have been able to turn innovation into impact, mainly because they allow employees to experiment profusely and learn. To seize the benefits of an innovation-led environment, organizations need to foster a culture of innovation and encourage their leaders to contribute to building it actively. These practices will give organizations the skills and insight they need to respond and adapt both incrementally and continually.

Here's the balance organizations need to strike:



TOLERANCE FOR FAILURE VS. UNDERPERFORMANCE

It is estimated that 90 percent of all start-ups fail. So, when large organizations want to emulate a start-up's DNA, it is accepted that the only way innovation can take place is to tolerate and celebrate failure. While there is some truth in it, and failure is an intrinsic part of innovation, it has been widely seen that many innovators and intrapreneurs are not able to distinguish between genuine failure and a case of underperformance. Genuine failures happen in the process of pushing boundaries of innovation in the organization, whereas, a sheer case of mediocrity and underperformance can take place in the name of innovation, could have been avoided with a little more rigor and discipline.

EXPERIMENTATION SAFETY NETS VS. INDIVIDUAL ACCOUNTABILITY

There is a universal acceptance that organizations need to provide a safety net to their innovators and intrapreneurs to give them the freedom and bandwidth to innovate without fear. Innovators and intrapreneurs tend to use company resources to indulge in blue ocean thinking and explore ideas beyond the organization's core business areas. While experimentation needs to be encouraged and protected, an individual's accountability to the time and resource commitments for these explorations must also be justifiable and rail guards

AGILITY VS. PERFECTION

In today's fast-paced digital era, it is not the big fish that eats the small fish, but the faster fish that eats the slower fish. Business leaders need to, therefore, continuously look for ways to move faster and work smarter. However, the organization DNA is more attuned to achieving perfection and mitigating risks. Organizations that only recognize and reward perfect solutions tend to delay responding to external triggers, miss out on valuable opportunities and fall easy prey to disruption. Those that adopt iterative and agile methodologies, and launch their innovations in multiple sprints, achieve much higher success rates compared to the ones that are still delivering on the requirements of the pre-digital era.

Strategy 2 - COLLABORATE TO INNOVATE

Collaboration is key to overcoming internal and external challenges.

An MIT Sloan survey of managers, executives, analysts and thought leaders across the world found that 80 percent of those from digitally mature companies drive innovation through partnerships.

Many of these organizations have focused solely on software platforms to drive innovation. Accenture's Innovation Architecture takes it one step further. Organizations are advised to look at a more holistic approach to innovation, relying on an architecture that brings together existing operating models and new capabilities to create a step-change in agility, efficiency, productivity and creativity. These new capabilities need not be limited to internal talent. Organizations are learning that they don't need to do everything on their own. But, they will need to collaborate.

Accenture's managed-service model, known as Open Innovation as a Service, has helped many clients on their innovation journey by collaborating with deep technology growth-stage startups. For example, Accenture, along with its Open Innovation partner, Sirion Labs, established a Centre of Excellence in India to work on contract administration and management that services global clients. Through this collaboration, a large airline client saved US\$5 million in the first four months—double its annual target.

Accenture is also working with an international airport client in India to help define an innovation architecture and design technology platform to improve the overall passenger experience. An Innovation Center was set up to drive internal innovation and external collaboration to deliver prototypes—and, subsequently, value—more quickly. Over the last two years, the Innovation Center evaluated more than 50 partner solutions in its effort to integrate the latest digital technologies.

TURNING INNOVATION INTO TANGIBLE OUTCOMES

There's no end in sight to digital disruption. Instead of denying it, or even delaying a response, it's much more effective and efficient to face it head-on.



Some practical steps business leaders can take to navigate the unpredictability of digital disruption and turn these strategies into value, include:

- Recognizing internal challenges and embarking on a cultural transformation.
- Engaging a dedicated team to help identify the transformation journey to the new.
- Defining KPIs for each employee on the process and product innovation, ensuring its adoption in both the old and new business.
- Encouraging rapid prototyping to prove and demonstrate a business case before committing more resources to a project.
- Breaking the silos in favor of cross-functional efforts that engage diverse talents beyond the core business capabilities.

Driving innovation and making it sustainable is not a “one and done” exercise. It’s a continuous evolution that requires business leaders to take cognizance of their organization’s polarities, address challenges through cultural change and encourage external collaboration.

Armed with the right mindset, strategy and partners, organizations can innovate and thrive in times of constant change. It’s just a matter of deciding to step out of their comfort zone.

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