

PIVOT WISELY

Embrace the power of the Wise Pivot to reinvent your business and rule in a disrupted world.



A CAVEAT FOR INDIAN COMPANIES: Disruption is a reality and it's happening now.

An estimated US\$1.8 trillion of enterprise value in India is at risk of displacement due to disruption. To ensure that competition doesn't walk away with the opportunity, companies must reinvent their business models, capture new areas of growth, and invest in fast and furious innovation.

While this may seem obvious, most companies are hesitant to take the needed steps. The reasons for inaction are varied. Some are inhibited by their inability to raise or replenish investment capacity, while others are simply fearful of failure. Intensely focused on their core business—their bread and butter—they find it difficult to make the bold moves required to capture new opportunities.

The apprehension is understandable, and caution is crucial, yet inaction is not an option. Companies need to pivot to the future, without further delay.

PREPARE FOR CHANGE OR PERISH

Our research shows that companies that thrive in disruption invest in the future and purposefully prepare their business for change. They strike a delicate balance between maintaining course and speed, remaining focused on their core while reinventing it, and simultaneously creating investment capacity to scale new businesses. We call this approach, the Wise Pivot.



TRANSFORM THE CORE

To release new
investment capacity



GROW THE CORE

To ensure investment
is sustainable



SCALE THE NEW

To build the
capabilities needed in
the years to come



Balancing these three elements is crucial. Pivot too slowly to the new, and a company risks being left behind as others discover new sources of value. Pivot too quickly, and it risks jeopardizing the core business—and its ability to fund investment.

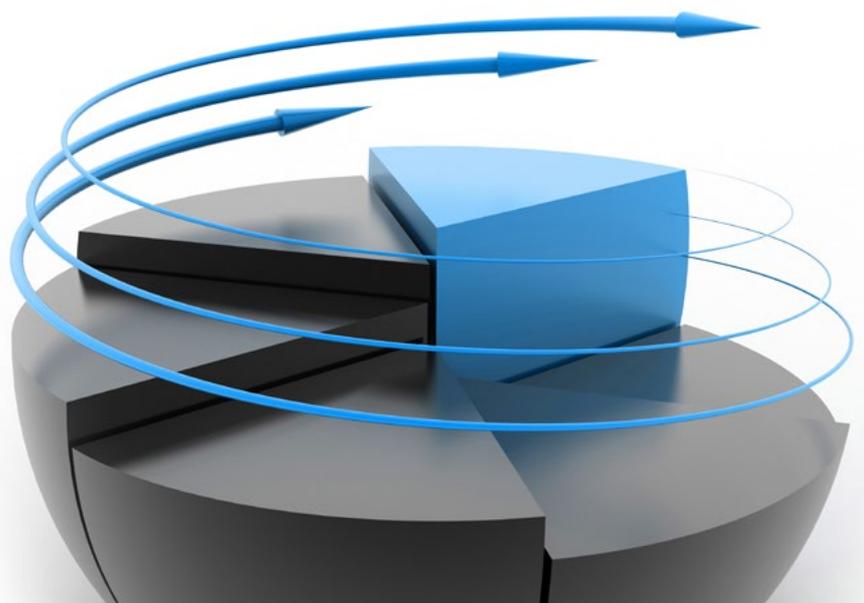
A STROKE OF BRILLIANCE

A great example of an effective pivot is that of a manufacturing major and how it has ruled the Indian paint industry for seven decades through constant reinvention. In its journey from brick-and-mortar to click-and-mortar, the company has made strategic investments in capacity enhancement to keep its operations agile and outperform the industry on return on capital investment. With unbridled ambition, the company decided to look beyond paints and become a holistic home décor solutions company, leveraging multiple consumer touchpoints. It has kept technology at the heart of its business—digitizing various functions, including customer engagement and dealer management systems, and supply chain and manufacturing operations. The company's aggressive approach to scaling its business has culminated into the launch of 23 new products in fiscal 2018.

PUT THE PIVOT TO PLAY

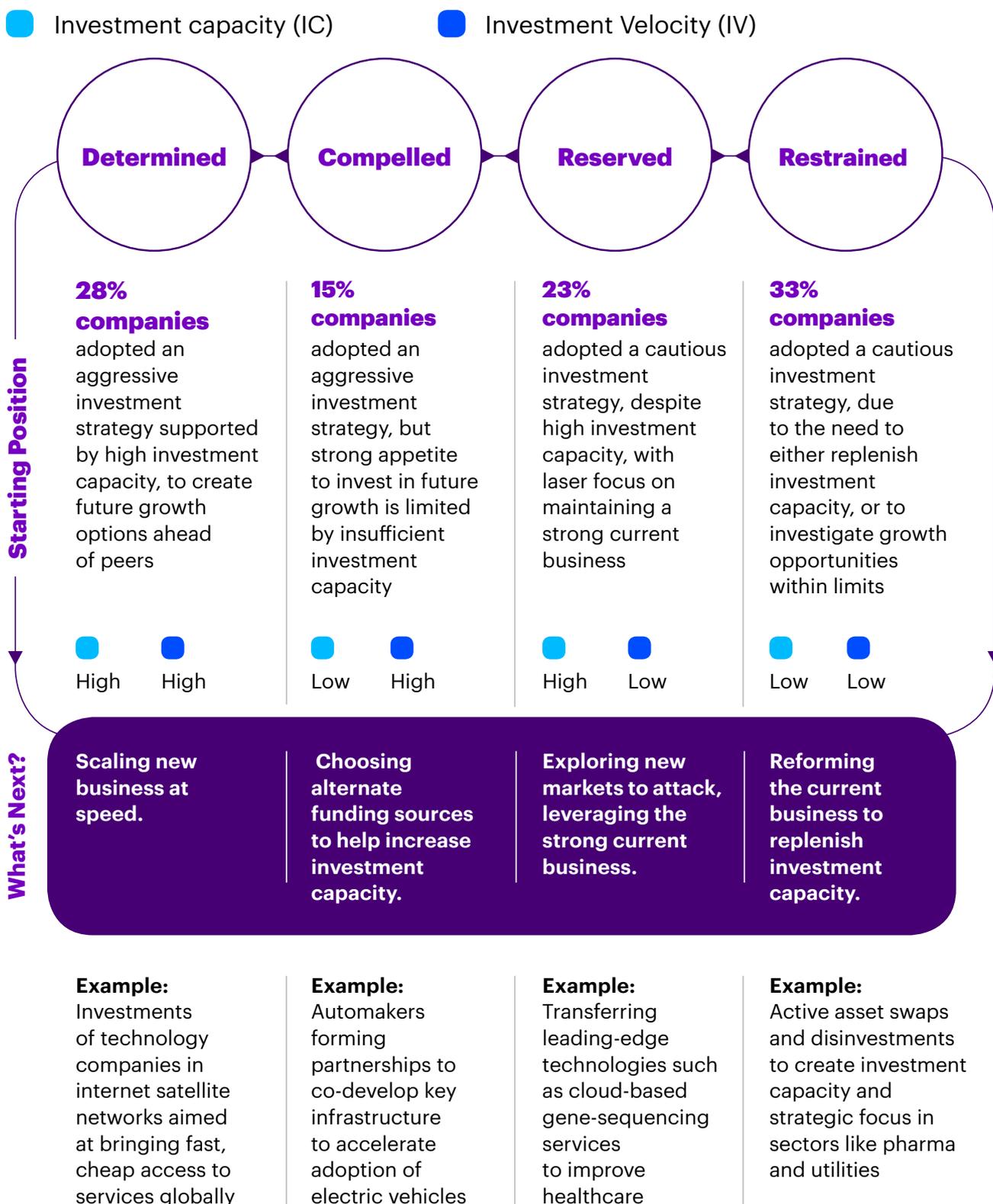
Our research shows that pivoting wisely is a unique journey for each company, influenced by its position, and the opportunity that triggers action. Companies can choose their “starting” scenarios—Determined, Compelled, Reserved and Restrained—to forge their own path.

The starting point they choose depends on their investment strategy, based on their investment capacity and investment velocity. This strategy starts by assessing the company's investment capacity (the resources available to invest) and velocity (the speed at which the company has been embracing new business activities) to make key decisions for the next pivot. The Wise Pivot is also dependent on having the right mindset that puts leadership, specifically the CFO, at the heart of the decision-making, to strike a holistic, effective interplay between investments in old and new business activities.



Accenture leveraged its diagnostic model to evaluate the investment and financial activities of more than 900 Indian companies across industries undertaking the Wise Pivot. The model assessed their pivot intensity using the investment capacity and investment velocity measures. The results were interesting, insightful and complex with different scenarios providing different strategic options to the enterprises.

PIVOT SCENARIOS



DETERMINED SCENARIO

28 percent of companies had an aggressive investment strategy supported by high investment capacity, giving them a greater propensity to scale new businesses at speed. They have invested in future growth and are better positioned not only to explore options, but also to disrupt other industries provided they enjoy strong financial performance. They have the opportunity to replicate their existing business models to a new market or industry through the right ecosystem partnerships. They need to be cautious about over investing in areas that do not create business value.

COMPELLED SCENARIO

15 percent of companies aspired to pursue new growth opportunities aggressively but were constrained by low investment capacity. These companies risk overstretching their finances and damaging the core business through reduced focus. They need to pace themselves as they create additional investment capacity by finding alternative funding sources (for example, through partnerships).



RESERVED SCENARIO

23 percent had a high investment capacity but nonetheless were cautious when it came to investments or focusing on strengthening their core business. These companies were best placed to realize new opportunities, but chose not to do so. They could easily be investing in initiatives that capitalize core strengths and build on those explicitly through new activities.

RESTRAINED SCENARIO

33 percent of companies face two major challenges—first, their investments have been restrained by low investment capacity, probably because of declining profits in their core business, and second, whatever investments they have been making are toward their current business. This group has no choice but to reform and return the current business to growth through radical actions, such as divesting nonperforming parts of the existing business.

SCRIPT YOUR GROWTH STORY

There is no magic formula to master the financial pivot. What it takes is the willingness to disrupt, and the willpower to keep moving forward.

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