BREAKING THROUGH DISRUPTION IN SOFTWARE & PLATFORMS
DISRUPTION IS A FACT OF LIFE IN EVERY INDUSTRY

Long-term trend lines, once reliably smooth, now more closely resemble hockey sticks. Since 2011, levels of disruption have jumped significantly and total VC funding has increased 5x. The threat is persistent and growing, and management teams are predictably concerned.

Mentions of disruption by large companies have increased over 208x since 2008. While disruptors have increased in scale and speed, incumbents have reverted to past strengths, spending time and resources on protecting their position and leaning on their reservoir of assets.

Executives recognize the inevitability of disruption in their industries, yet few are prepared to sufficiently respond. Why? Most organizations lack a deep understanding of the extent of their exposure and where they fall among fellow disrupted companies in their industry. To fill this gap, Accenture has created the Disruptability Index.
From 2011-2018, we studied 10,000 companies across 18 industries and 12 million data points to understand how disruption has evolved over the past decade.

Using the index, we can pinpoint an industry’s current level of disruption and susceptibility to future disruption. This empowers executive teams to target specific areas of vulnerability and plan an appropriate, strategic response.
INDUSTRIES FALL WITHIN ONE OF FOUR PERIODS OF DISRUPTION

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>Description</th>
<th>Percent of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>DURABILITY</td>
<td>Efficient, mature industries, in which structural incumbent advantages pose significant barriers to entry</td>
<td>11%</td>
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<tr>
<td>VULNERABILITY</td>
<td>Structural inefficiencies and low levels of innovation lead to low industry productivity</td>
<td>38%</td>
</tr>
<tr>
<td>VOLATILITY</td>
<td>Previously strong barriers to entry have eroded; what were sources of strength become weaknesses</td>
<td>33%</td>
</tr>
<tr>
<td>VIABILITY</td>
<td>Characterized by embryonic or reborn industries that have endured a significant disruption</td>
<td>18%</td>
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Based on the index, one industry that is uniquely vulnerable to disruption:

Software & Platforms
THE SOFTWARE & PLATFORMS SCORECARD

The Software & Platforms sector is experiencing a critical moment of disruption. While the industry is currently in a period of Viability, the sector achieves the highest score among all industries for current levels of disruption. Why? It’s almost entirely due to heavy penetration by high-value start-ups, the presence of disruptive incumbent companies, plus the enormous levels of venture capital funding in the sector compared to other industries.

Median = 0.51

CURRENT LEVEL OF DISRUPTION

0.89
For Software & Platforms companies, accelerating against disruption is difficult, but possible.

How are industry leaders winning in the age of disruption?
THE WISE PIVOT

Breaking through disruption takes more than protecting your position. Responding with the proven, familiar path no longer works. It requires seizing control and shaping your own future. Push out of your comfort zone, lean into the new, and embrace the power of The Wise Pivot.

Companies in the S&P sector have been wallowing in the Viability period for years, where companies have rapid product cycles and fleet-footed customers. Unlike long-established industries that rely on a host of traditional barriers to entry as protection from disruptive threats, S&P leaders understand that the best defense is a good offense. They know how to profit from disruption: by creating their own next cutting edge.

READY TO LEAN INTO THE NEW AND CREATE YOUR NEXT CUTTING EDGE?

Apply three strategies:

1. Continuously explore and identify new business models
2. Scale new businesses at speed—if you’re not first you may as well be last
3. Use the ecosystem to fuel innovation and share risk
TIME FOR COURAGE

Leading companies embrace the power of the innovation pivot. They push out of their comfort zone to shape their own future with long-term impact in mind.
If you’re in Software & Platforms, Communications & Media, or High-Tech (Viability period)...

Create your next cutting edge

Embrace new technologies to develop potentially disruptive ideas, in and outside of your current industry.
When your industry wallows in the Viability period of disruption for many years, flux is the norm. Industries here have rapid product cycles and fleet-footed customers. Technology is central to the business models and offerings provided by incumbents.

Unlike long-established industries that have relied on an assortment of traditional barriers to entry as protection from disruptive threats, industries here accept that the best defence is a good offence.

Leaders in these industries know how to profit from disruption: by creating their own next cutting edge. Ultimately, they understand that the best way to prepare for the future is to invent it.

**CASE STUDY: MICROSOFT**

Under the leadership of Satya Nadella, Microsoft has invested heavily in innovation while also carrying its profitable legacy Windows business into the future. Microsoft repositioned itself from selling incrementally improved “software in a box” to perpetually updated software as a service. In transforming and continually growing its core business, Microsoft has kept up its profitable legacy Windows business. And this has given the company a healthy platform from which to invest in cutting-edge tech. As well as investing in AI and cloud computing, the company has worked on developing cutting-edge innovations in many areas, ranging from holoportation\(^1\), to instant voice translations\(^2\), and even an HIV vaccine.\(^3\) The company’s outlay on R&D increased by 62% between 2011 and 2018, to almost $15bn.\(^4\)

**What are the strategic considerations you need to make to innovate differently when your industry wallows in the Viability period of disruption?**

- **Infuse advanced, but proven technologies into today’s core business to sustain competitiveness**
- **Embrace new technologies to develop potentially disruptive ideas, in and outside of your current industry**

Sources: (1) Microsoft, (2) Skype, (3) Microsoft, (4) Capital IQ
If you’re in Health, Life Science or Chemicals (Durability period)...

**Fund your future bets**

Progressively bolster and allocate your innovation investments so you can test and turn new ideas into commercial realities faster.
Industries hovering in the period of Durability have benefited from decades-old business models that served them well. But suddenly, many incumbents find themselves trapped, sometimes with a core business showing compression.

While some incumbents were lulled by the false sense of security, others exploited the opportunity to experiment, using their strong positions.

Leaders in these industries focus on entering uncharted territories and testing new ideas. Their ambition is to test and turn new ideas into commercial reality faster. Ultimately, they understand that now is the time to get creative and initiate the next wave of disruption in their industries.

CASE STUDY: BASF

BASF has been innovating since 1865. Organic innovation remains at the firm’s heart: 11,000 BASF employees now work on roughly 3,000 research projects in 70 labs across the globe. But the firm is also keen to look outside for new ideas to acquire and convert into new lines of business. It has set up a venture capital arm, which invests in niche areas of interest. It partners judiciously, in fields such as the circular economy. And it is willing to be acquisitive when the right opportunity beckons. In 2018, BASF acquired a range of agribusiness assets from Bayer. This move consolidates BASF’s strength in the area by bolstering capabilities in areas such as crop protection, biotech, and digital farming. BASF subsequently renamed its Crop Protection division to Agricultural Solutions, indicating the newly expanded range of the business line.

What are the strategic considerations you need to make to innovate differently when your industry hovers in the Durability period of disruption?

- Boost creativity at the top leadership levels, and encourage experimentation with innovative ideas
- Progressively bolster and allocate your innovation investments so you can test and turn new ideas into commercial realities faster
Commit to scaling new ideas with ecosystem partners who can provide access to technologies and specialized talent.
When in the period of Vulnerability, the natural tendency is likely to try and escape the threats of disruption. Industries here enjoy the benefit of being well established and asset-rich; but many have been slow to invest in new growth areas ahead of time.

Incumbents that persist with aging ‘core’ business models will not be ready for the new challenges. The opportunity exists for those companies that can see beyond the short-term pressures and set their sights on what will matter tomorrow.

Leaders in these industries know long-term success will come to those with the wisdom to apply innovation to power scaling of new ideas, but not alone.

CASE STUDY: TOYOTA

Founded in 1933, the world’s largest automotive manufacturer is anything but old-fashioned. After developing transformative products including the Mirai and Prius hybrid, Toyota is moving from making cars to enabling mobility. In 2019, the company launched Kinto, a subscription driving service. Of note are Toyota’s plans to add a gamified element, awarding points – redeemable as discounts – to customers based on the quality of their driving. The critical element of the company’s strategy is strong partnerships. For instance, the company is partnering with Panasonic to develop electric-vehicle batteries at scale. In addition, Toyota is partnering with Softbank to develop a range of offerings, from on-demand vehicle services to hospital shuttles.

What are the strategic considerations you need to make to INNOVATE differently when your industry struggles in the VULNERABILITY period of disruption?

- Innovate with help of advanced technology to power growth organically in existing offerings
- Commit to scaling new ideas with ecosystem partners who can provide access to technologies and specialized talent

Sources: (1) BASF, (2) BASF, (3) EurekAlert, (4) BASF
Establish a specialized entity such as an “innovation lab” or a “digital factory” in order to bring meaningful innovation into your established business.
#4 DISRUPT FROM THE INSIDE

When your industry remains in the period of Volatility, it faces the eye of the disruption storm. This can be a difficult place for industries, as they are afflicted by compressed margins, crippling inefficiencies, and cracked defences. The disruptors are at the gate, and the doom loop has begun... Or has it?

Many industries here realise it is time for a rapid re-think, and some of its incumbents show tenacity, while others jump the gun, and try and do too much, too soon.

Leaders know they need to triumph over the past, by making radical choices. Ultimately, they understand that long-term success will come to those who learn to innovate from the inside, continuously.

CASE STUDY: WALMART

Retail may be severely disrupted, but Walmart has solidified its growth plans in opening its first AI-enabled Intelligent Retail Lab (IRL) location. Developed by the company’s innovation incubator, Store Nº8, the new store will be used as a testing ground to experiment with emerging technology.¹ The store is staffed by 100 employees, who leverage artificially intelligent sensors and cameras to monitor inventory and replenish stock, which frees up much needed time to spend with their customers.² Technology enables the company to look inwards, and understand so much more, in real time, about its own business. This is creating a virtuous circle within the company, where what leaders learn from new developments like IRL feeds Walmart’s evolving strategy.

What are the strategic considerations you need to make to innovate differently when your industry flails within the Volatility period of disruption?

- Selectively experiment with advanced technologies in your core business (e.g. AI in customer service)
- Establish a specialized entity such as an “innovation lab” or a “digital factory” in order to bring meaningful innovation into your established business

Sources: (1) BASF, (2) BASF, (3) EurekAlert, (4) BASF
We get the big picture and all the little pixels that make it up. Whether you’re an emerging player or a massive titan, no other technology professional services firm can help companies pivot and implement full transformation, from strategy to operations, and all the people and digital components in-between. Whether it’s developing new products and services to scale into new markets or innovating around fertile technologies like location and commerce, we’ll help you be the first to transform and the last to leave.
CAN THE WISE PIVOT HELP YOU?

Are you... seeking a clear vision for what the NEW will be for your company?

Is your... Digital strategy seen as distinct from Corporate strategy?

Is your... C-Suite looking for a framework for structured debate and strategic planning?
Carve your own path through disruption.

Let Accenture help you lead the way and embrace the power of the innovation pivot.
CONTACT US

ROBIN MURDOCH
Managing Director, Global Industry Lead, Accenture Software & Platforms
robin.murdoch@accenture.com

PAUL NUNES
Global Managing Director of Thought Leadership, Accenture Research
paul.f.nunes@accenture.com

DR. VEDRANA SAVIC
Managing Director of Thought Leadership, Accenture Research
vedrana.savic@accenture.com

MICHAEL MOORE
Senior Principal Thought Leadership, Accenture Research
m.p.moore@accenture.com
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