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Returns on your business transformation underperforming?

A Value Creation Office may be the answer.

Is your enterprise transformation failing to deliver the business value you expected, either in anticipated growth or profit improvement?

If so, you're not alone.

While organizations invest heavily in large transformation programs, most do not realize the full potential of their investments. Accenture research has shown **that only about 13 percent of companies we surveyed achieved both top- and bottom-line growth with their digital transformations** (see Figure 1).

These days, it's not enough to digitize one part of your business and expect positive results for the entire organization. Companies that are profitable deliver game-changing products, services and experiences, adopting and integrating digital technologies to achieve higher efficiency and new growth. These businesses embrace change and leverage the right combinations of digital technologies—and they do it continuously.

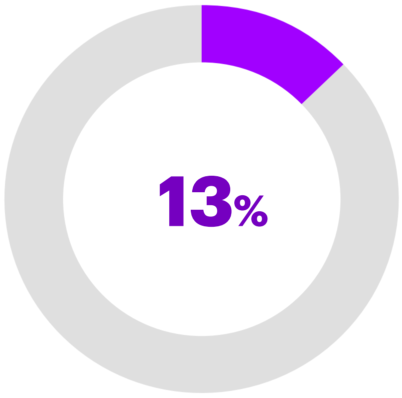
Companies report that they frequently see lower growth or profit improvement from their transformation, often because they do not have transparency across all work streams or functions. For the transformation to achieve its intended goals, an enterprise view is required.

When portions of the transformation are managed by individual functions, business units or geographies, it is easy for value leakage to occur.

But with a more structured, holistic approach, companies can not only identify areas of risk, but also evaluate levers they can pull—by shifting capital and/or resources—to get their transformation back on track to achieve the intended goals.

Figure 1

Only 13 percent of the companies we surveyed achieved both top-line and bottom-line growth with digital transformation

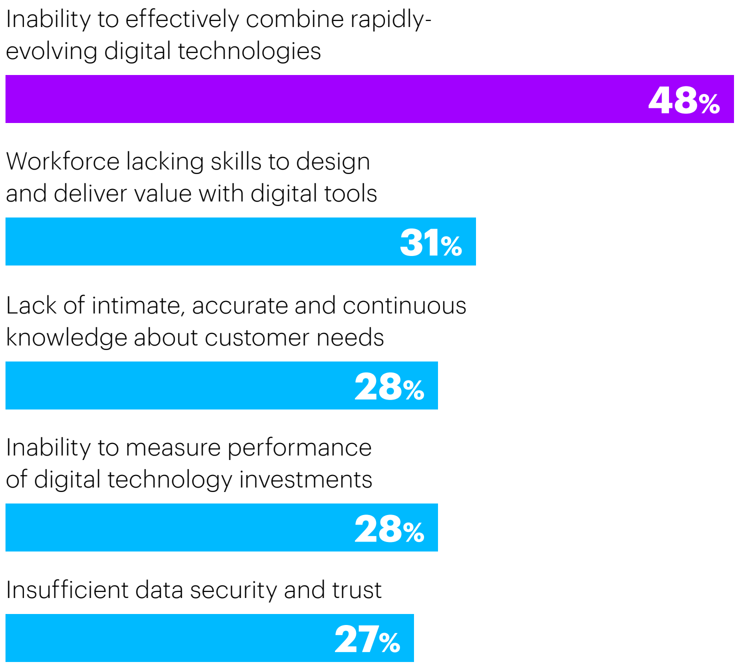


% of executives saying that they get both higher efficiency and new experiences from digital

Source: Accenture Research, Delivering Digital Dividends, Industry X.0, 2018

Almost 50 percent of the executives surveyed cited an inability to successfully combine rapidly evolving digital technologies as a key obstacle to transforming their business.

Top 5 challenges to driving efficiencies and experiences with digital



Help is on the way

To address this common challenge, Accenture has developed a value capture methodology and team structure—the Value Creation Office (VCO)—to help companies create, monitor and achieve greater value from their strategic business transformations (see Figure 2).

At the heart of the transformation's financial success is the **Value Creation Office (VCO),** a team committed to help guide a purpose-led transformation that is linked to the company's overarching strategy. The VCO will help unlock efficiencies and reinvest them to drive investments in capabilities and growth or expand margins and returns on invested capital. For example, they track and monitor growth and margin improvements, while minimizing business disruption.

Figure 2

Approach for successful purpose-led transformation management

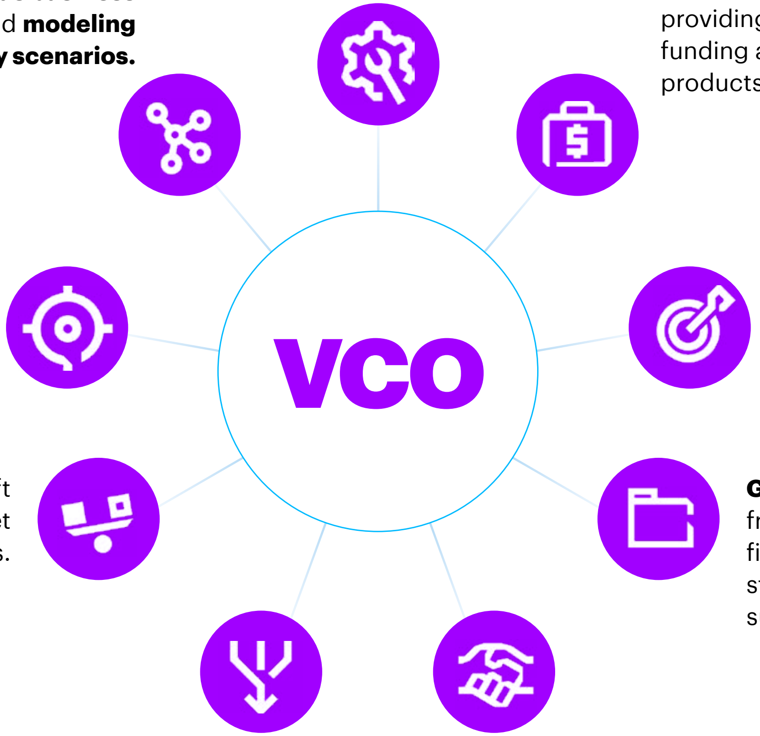
Enterprise Transformation Team

Inspire and engage
Align leadership, organization and manage change

Define and capture value
Value Creation Office tracks and monitors value

Plan and manage
Disciplined and flawless execution

The VCO is a centrally located capability—or "Mission Control"—providing overall value by:



Providing ongoing **monitoring** against original and holistic transformation plan.

Allocating funds toward the most successful growth initiatives, and providing an approach to prioritize funding across the portfolio of products, business units, etc.

Identifying where **value leakage** occurs.

Generating reports ranging from a granular level for financial planning and analysis stakeholders to a top-line summary for executives.

Providing transparent, efficient and quick communication from initiative leaders to executive sponsorship for real-time, accurate **decision-making.**

Integrating enterprise financials from the transformation into the corporate budgeting and forecasting process to avoid value leakage.

Recommending where to shift **capital or resources** to meet transformation targets.

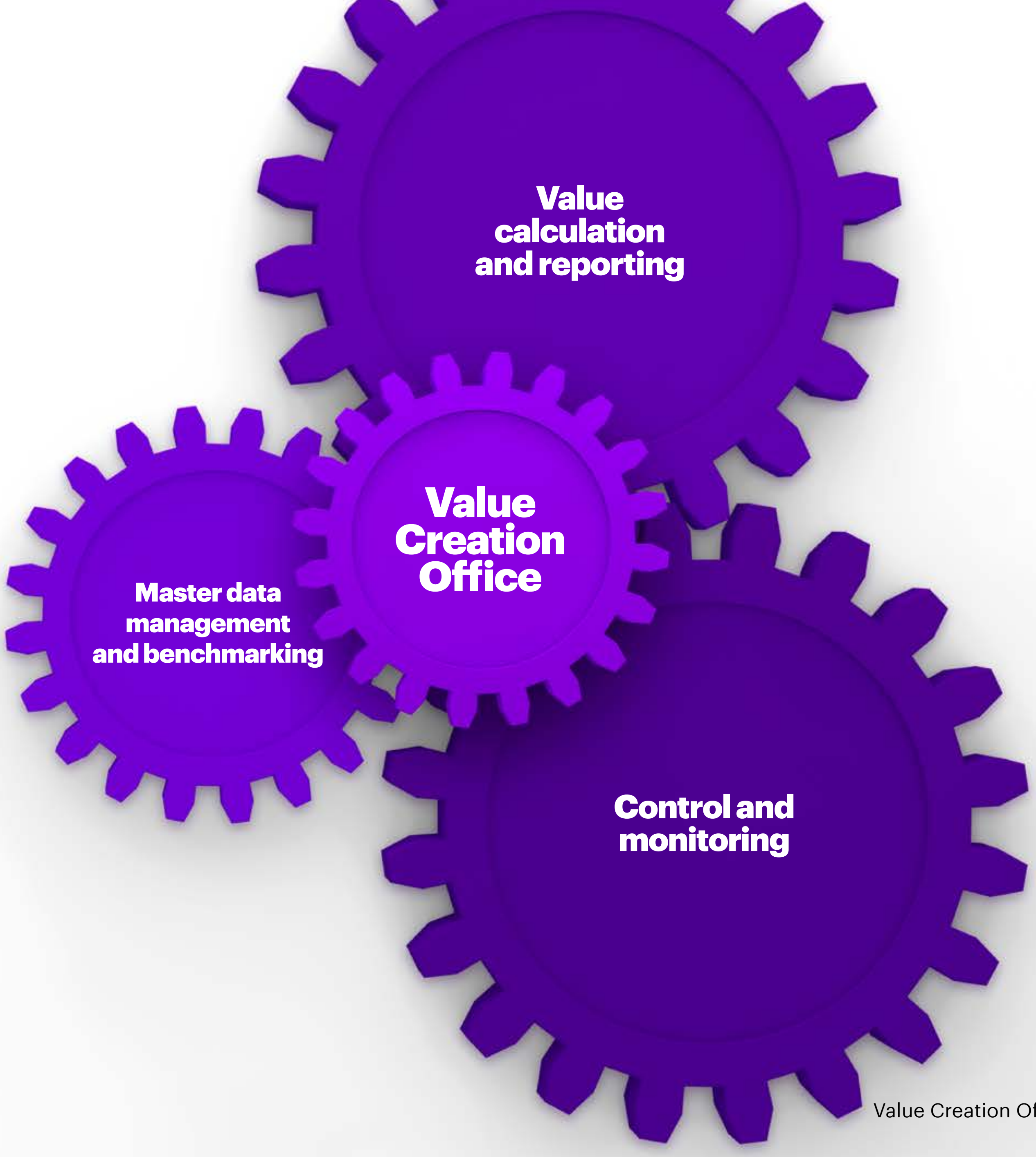
Establishing a **single source of truth** for all data management and baseline comparisons.

Serving as the central point for **validating various business opportunities** and **modeling different opportunity scenarios.**

Usually staffed by top talent within the finance and business functions, with deep modelling and analytic skills, a well-run VCO brings full transparency to the costs and value associated with the transformation, is supported by customized toolkits, is value-centric versus task-centric and provides both project-level and team-level ROI analyses. The VCO is often sponsored by the Chief Finance and Strategy Officers, in close collaboration with the Chief People Officer, to ensure an employee-centric transformation.

Methodology for success

Creating a long-term, sustainable and successful VCO generally involves three key components:



1 MASTER DATA MANAGEMENT AND BENCHMARKING

Data baseline

The VCO leads efforts to develop the baseline and master data for all value targeting activities, including category and functional benchmarking, which are all used for measuring the value of the transformation. This master data and baseline is validated cross-functionally, so that the VCO can execute monthly master data refreshes for the lifetime of the program.

2 VALUE CALCULATION AND REPORTING

Transparency and analytics for proactive decision making

After establishing a data baseline, the VCO works with business leaders to create an initial value calculation or business case. This is where some companies end their business case activities, and unfortunately lose their transparency into the ongoing value picture.

Why? Because large transformations with multiple initiatives have too many unforeseen variables to keep constant over time. Instead of ignoring those variables, companies need to constantly update their financial view and apply "best and latest estimate" thinking to the impacts on the business case.

The VCO also will establish a data-driven reporting process for all individual workstreams to report out their latest estimates. Using VCO assets, the input from workstreams feeds executive reporting, giving business decision makers an opportunity to look at the current financials across the enterprise, including all variances to previous submissions (and the original business case).

When the VCO process is running efficiently, executives should not only have transparency to steady state financials, but also to timing impacts throughout the lifetime of a transformation. And instead of leaders hoping they can achieve the original business case, they can now actively manage their current situation more precisely.

3 CONTROL AND MONITORING

Capture the value!

Failure to monitor and control the transformation results is a major reason that transformations underperform in delivering value. As important as the first two components of the VCO are, control and monitoring are truly where value leakage is eliminated. The VCO creates an integration between program financials and a company's budgeting and forecasting process.

In many instances, executives don't have full transparency into their budgets, so the VCO ensures that program financials are tightly integrated into the forecasting processes, down to the account and cost-center level. Cost savings dollars are proactively removed from budgets and either assigned for growth initiatives or fall to the bottom line. As great as value calculations and reporting are to executives for proactive decision making, value cannot be realized and sustained unless the VCO has tight integration into the financial planning and analysis process.

Nestlé USA

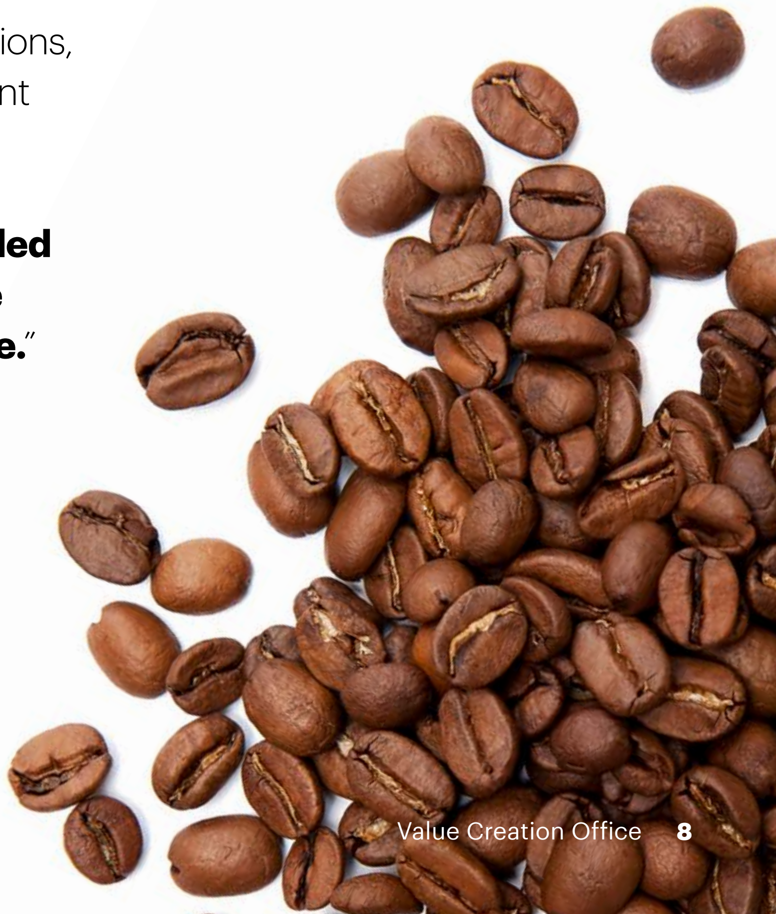
Accenture and Nestlé USA collaborated on Nestlé's large-scale transformation of their sales, supply chain and technical and production functions. Nestlé also was relocating its Los Angeles headquarters to Solon, Ohio and Arlington, Virginia as part of this transformation. Their goal: create an agile organization to intensify growth through innovation and accelerated efficiency by:

- Developing capabilities through consumer driven innovation
- Improving cost efficiency to reinvest in the business and drive margin
- Building career opportunities and talent for the long term.

Reporting directly to both the Chief Strategy Officer, Chief Financial Officer and their respective teams, the Value Creation Office helped orchestrate the transformation. Nestlé is on track to capture $600M in savings over a five-year period.

"The VCO in our forward-looking, purpose-driven, strategic transformation helped create the conditions and discipline to accelerate profitable growth, improve portfolio transformations, make strategic acquisitions, and invest in new capabilities and talent development. **In our environment—where transformation is now a continuous mindset—the VCO enabled us to transform for the future while maintaining short-term performance.**"

Rui Barbas,
Chief Strategy Officer
at Nestlé USA



When should companies implement a VCO?

A VCO becomes important as organizations embark on large-scale transformations with the objective to significantly improve growth or profit margin for the enterprise. Smaller initiatives occurring in one function can normally be managed by the existing framework.

Given the unprecedented pace of change and investment needed by many companies to digitize their business, VCO will become a requirement to ensure that companies can self-fund their transformation by eliminating inefficiencies that thereby create room to invest in new products, technologies and services.

As the traditional enterprise model evolves through the adoption of technology, and functional lines continue to blur, a cross-enterprise approach to value becomes mandatory, therefore making VCO a critical element of success to any company in any sector.

Getting started

Start a conversation about whether a Value Creation Office might be right for your transformation.

Whether you're just starting to think about a business transformation or are in the midst of one that's not delivering the value you expected, Accenture can help assess your situation and objectives and determine whether a VCO can help you create a strategic integrated approach to tracking, analyzing and reporting on the value your efforts are creating. Tap into our experience of helping companies from a wide variety of industries transform their processes and cost structures to be more agile, innovative and successful.

- Establish the VCO early in the transformation process.
- Ensure executive sponsorship from the Finance and Strategy organizations.
- Secure alignment on the reporting and output requirements to ensure the VCO is gathering, building and tracking the most relevant and important data.
- Proactively manage interdependencies across the work streams.

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