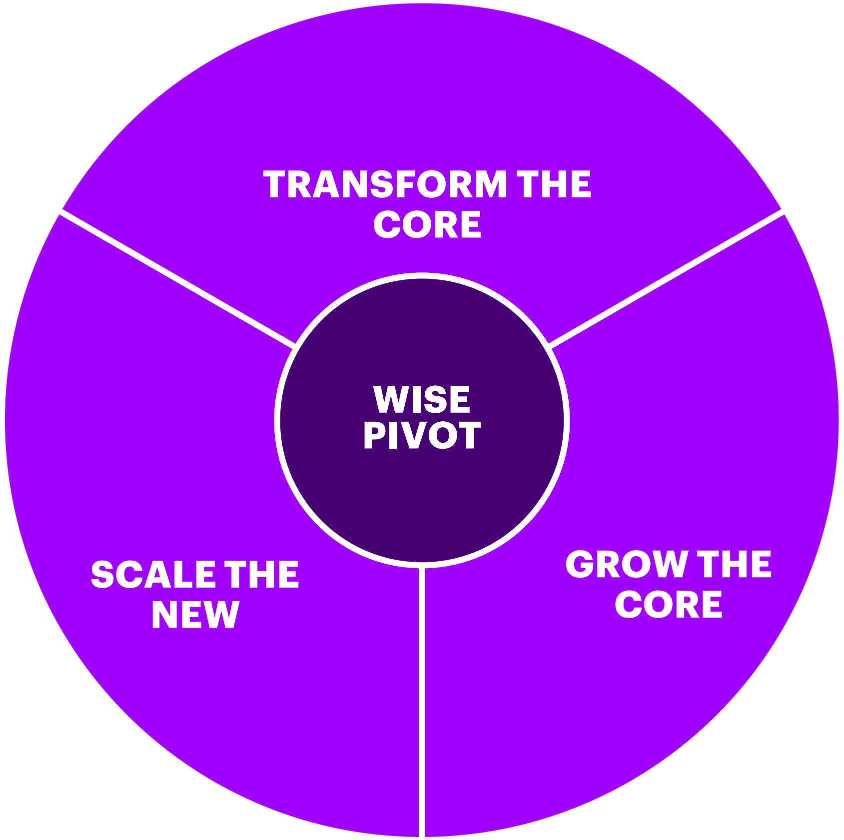
THRIVING IN THE AGE OF DISRUPTION

PIVOT WISELY

A UNIQUE APPROACH TO CORPORATE REINVENTION

WE LIVE IN AN AGE THAT DEMANDS COMPANIES STAY IN A PERMANENT STATE OF CHANGE



The digital age calls for a new approach to organizational change (rotation to the new) that enables companies to make a wise pivot successfully. This approach requires companies to:

- **Transform the core business** (to drive up investment capacity)
- **Grow the core business** (to sustain the fuel for growth)
- **Scale new businesses** (to identify and scale new growth areas at pace)

A wise pivot also requires the right **INVESTMENT STRATEGY** to ensure that the timing, scale, and direction of investments are calibrated adequately.

CONTENTS

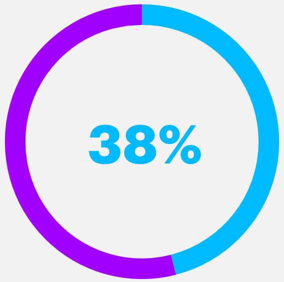
DISRUPTION IS YOUR REALITY

IT'S HAPPENING NOW, AND MANY INCUMBENTS ARE STRUGGLING

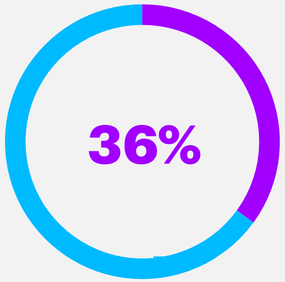
Companies are **spending increasing amounts of money** each year trying **to drive disruption** (rather than end up its victim) by identifying the next big market breakthrough.

Despite these investments, **profits** of **incumbent companies are down**, the scale of non performing assets (NPAs) is up and growth in many sectors is challenged. Our analysis of 2,005 Indian companies suggests that there is more to come.

In fact, **our research has found that more than 38 percent of companies** across 19 industries **are experiencing disruption currently and 36 percent of companies are highly susceptible to future disruption.**



OF COMPANIES ARE EXPERIENCING DISRUPTION

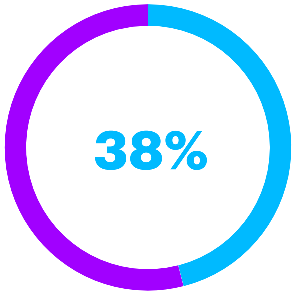


OF COMPANIES ARE HIGHLY SUSCEPTIBLE TO FUTURE DISRUPTION

Source: Accenture Research India Disruptability Index 2019, S&P Capital IQ

$1.8 TRILLION OF INDIAN ENTERPRISE VALUE IS EITHER CURRENTLY BEING DISRUPTED OR IS SUSCEPTIBLE TO FUTURE DISRUPTION

BASED ON SECTORS THAT ARE EITHER EXPERIENCING OR ARE SUSCEPTIBLE TO DISRUPTION



OF COMPANIES ARE EXPERIENCING DISRUPTION*

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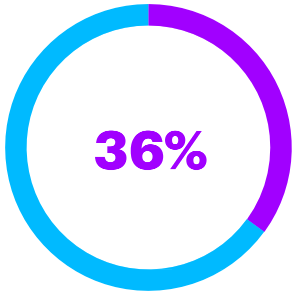


OF COMPANIES ARE HIGHLY SUSCEPTIBLE TO FUTURE DISRUPTION**

=

$1.8 trillion

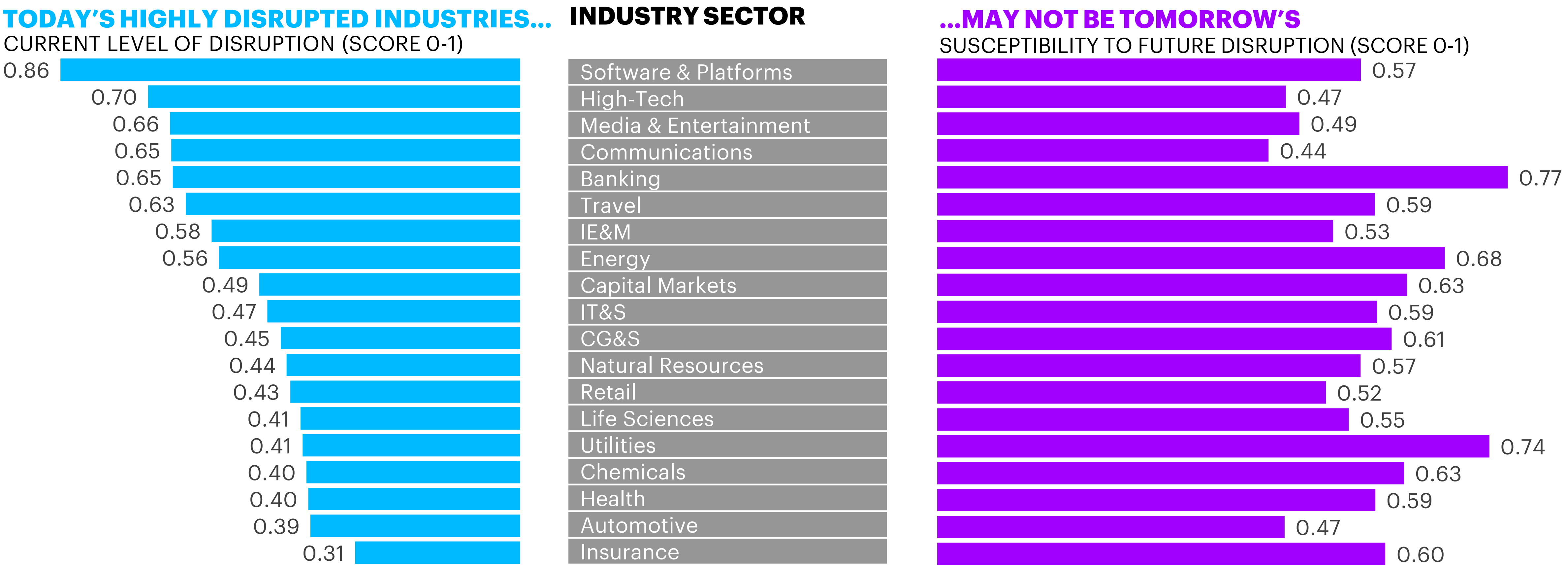
IN ENTERPRISE VALUE DISRUPTED TODAY OR SUSCEPTIBLE TO FUTURE DISRUPTION#

Notes:
* % companies from sectors scoring above median on ‘current level of disruption’;
** % companies from sectors scoring above median on ‘susceptibility to future disruption’;
# 1,367 (68%) unique companies with Enterprise Value (Market Cap + Net Debt) of $1.8tn (out of $2.3tn) are either experiencing disruption &/or are highly susceptible to future disruption.
Total sample = 2005 (All companies with Indian HQ in Capital IQ with March 2019 revenues above $10mn)

Source: Accenture Research India Disruptability Index 2019, S&P Capital IQ

INDUSTRIES AREN'T EQUALLY EXPOSED

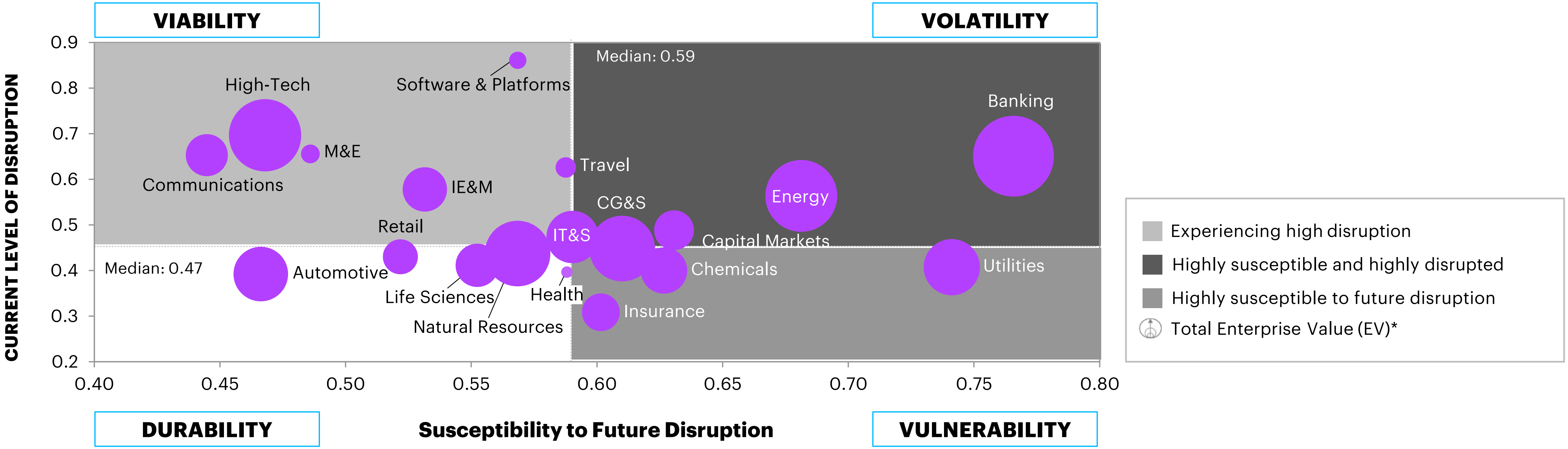
LOW DISRUPTION TODAY, DOESN'T MEAN YOU SHOULDN'T PREPARE FOR DISRUPTION TOMORROW



Source: Accenture Research India Disruptability Index 2019, S&P Capital IQ

BEFORE YOU ACT

UNDERSTAND YOUR INDUSTRY'S CURRENT POSITION

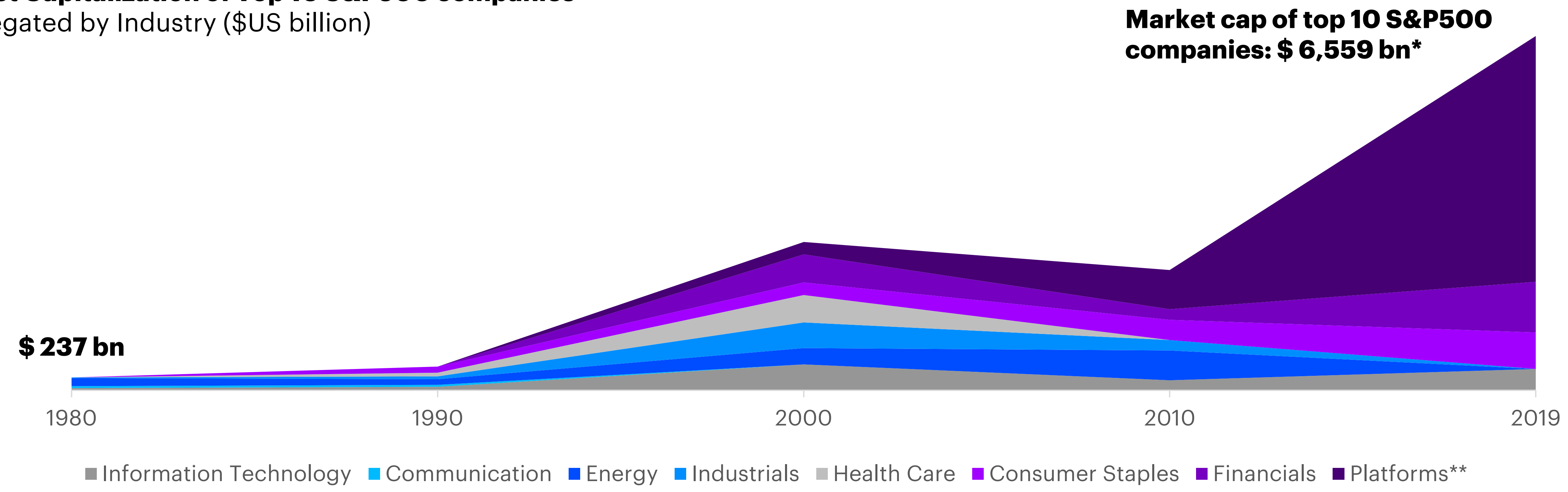


Notes:
* Enterprise Value is the sum of market cap plus net debt. It is comprised of two components: Current Value represents the value of the firm, today, calculated as NOPAT/WACC and Future Value represents the market's expectation of a firm to grow above current operations.

Source: Accenture Research India Disruptability Index 2019, S&P Capital IQ

DISRUPTION IS EVIDENT AS SIGNIFICANT SHIFTS HAVE BEEN WITNESSED IN THE TOP 10 COMPOSITION OF S&P 500

Market Capitalization of Top 10 S&P500 companies
Aggregated by Industry ($US billion)



Notes:
* Market capitalization on Nov 1, 2019
** Apple, Microsoft, Amazon, Google, and Facebook are classified as Platforms
Source: ETFdb.com, S&P Capital IQ, Accenture Research analysis

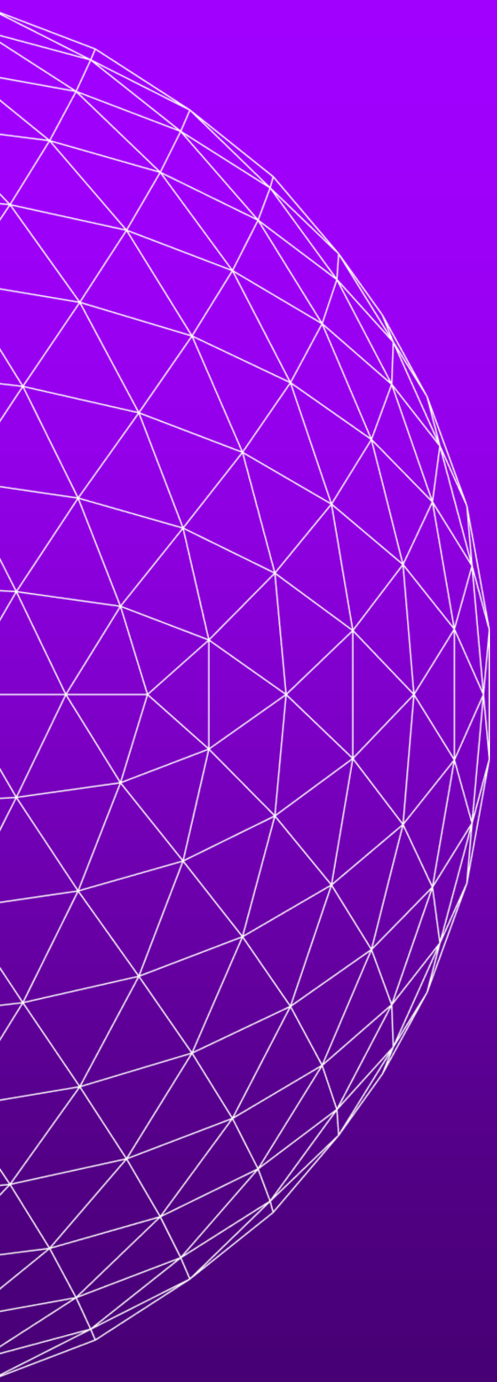
DISRUPTION – THREAT? OR OPPORTUNITY?

WHAT IT TAKES TO BE THE DISRUPTORS, NOT THE DISRUPTED

Find and release enough value (currently trapped in your core business) to fuel innovations in “the new”

Evolve your culture to make perpetual pivots to the future

UNLOCKING TRAPPED VALUE



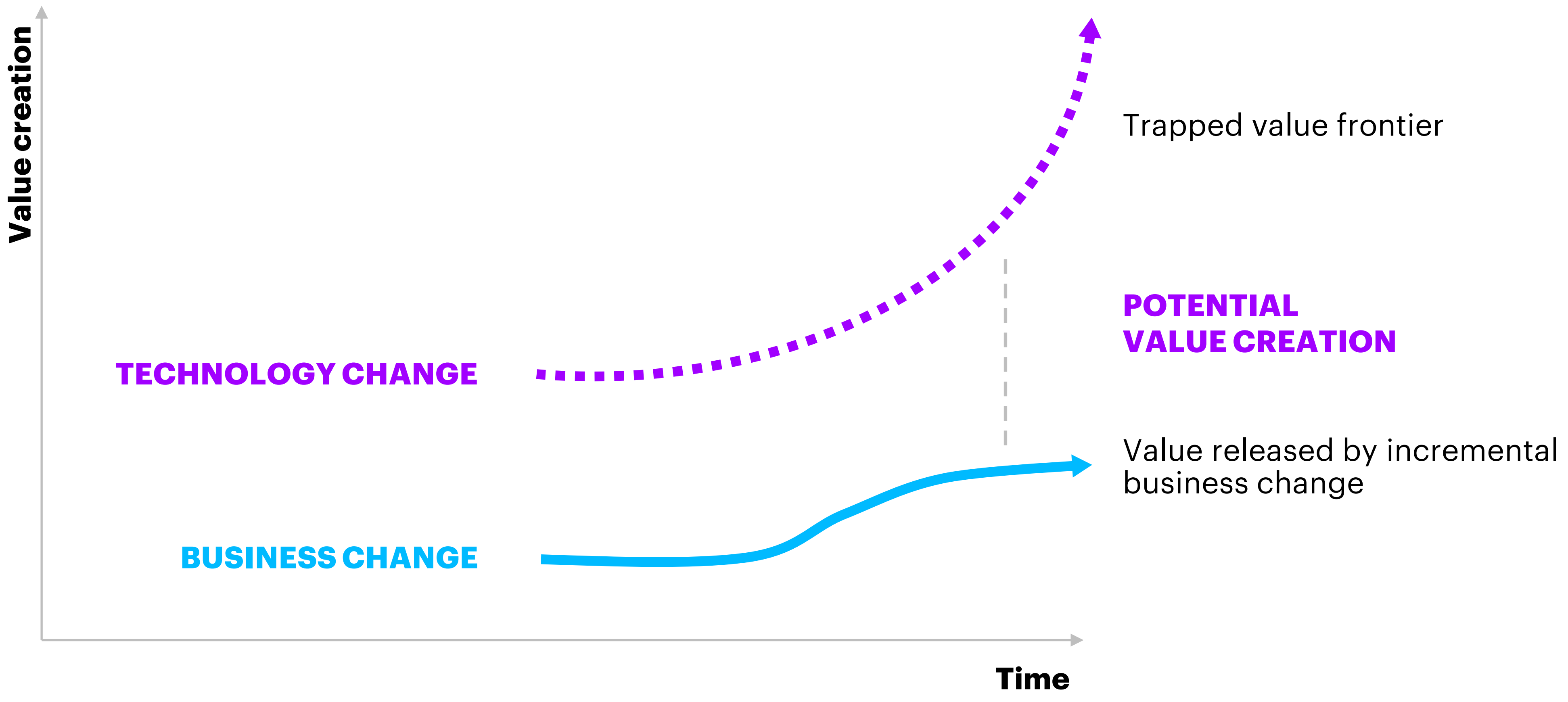
TARGETING AND RELEASING TRAPPED VALUE IS THE BEGINNING OF THE "WISE PIVOT."

Continual improvements in digital and related technologies are creating value faster than companies, industries and society can absorb it.

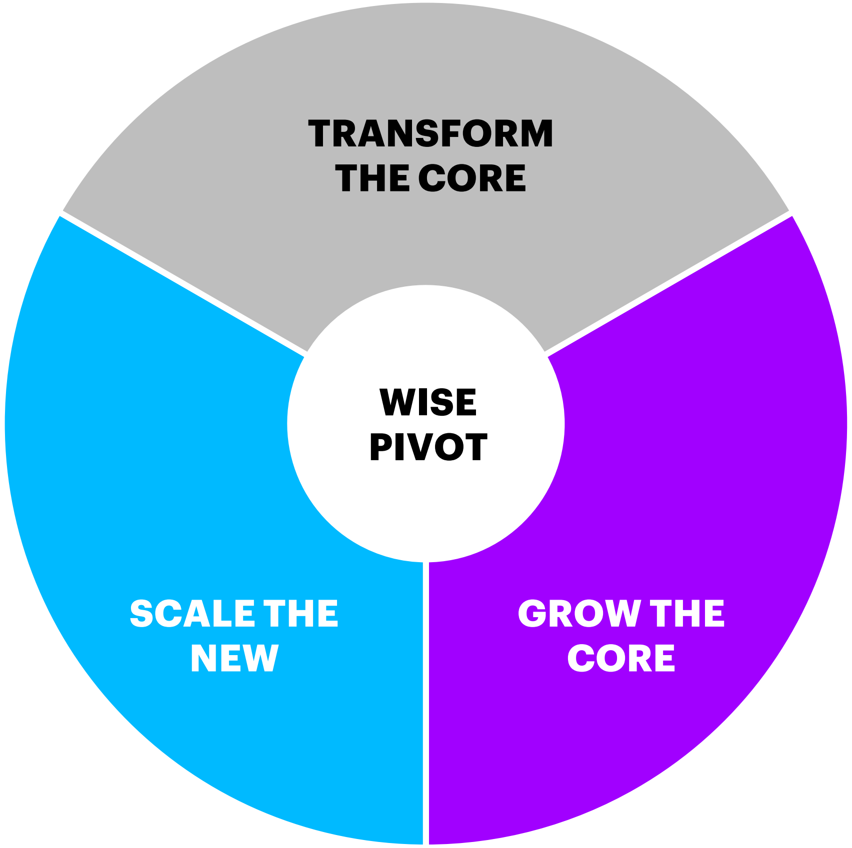
This is a kind of potential energy called trapped value.

POTENTIAL VALUE CREATION

WE DEFINE POTENTIAL VALUE CREATION AS AN OPPORTUNITY FOR BUSINESSES BETWEEN WHAT IS TECHNOLOGICALLY POSSIBLE AND WHAT IS BEING CAPTURED



HARNESSING DISRUPTION REQUIRES THE WISE PIVOT: A PRACTICAL, PROVEN STRATEGY FOR REINVENTION



THE WISE PIVOT

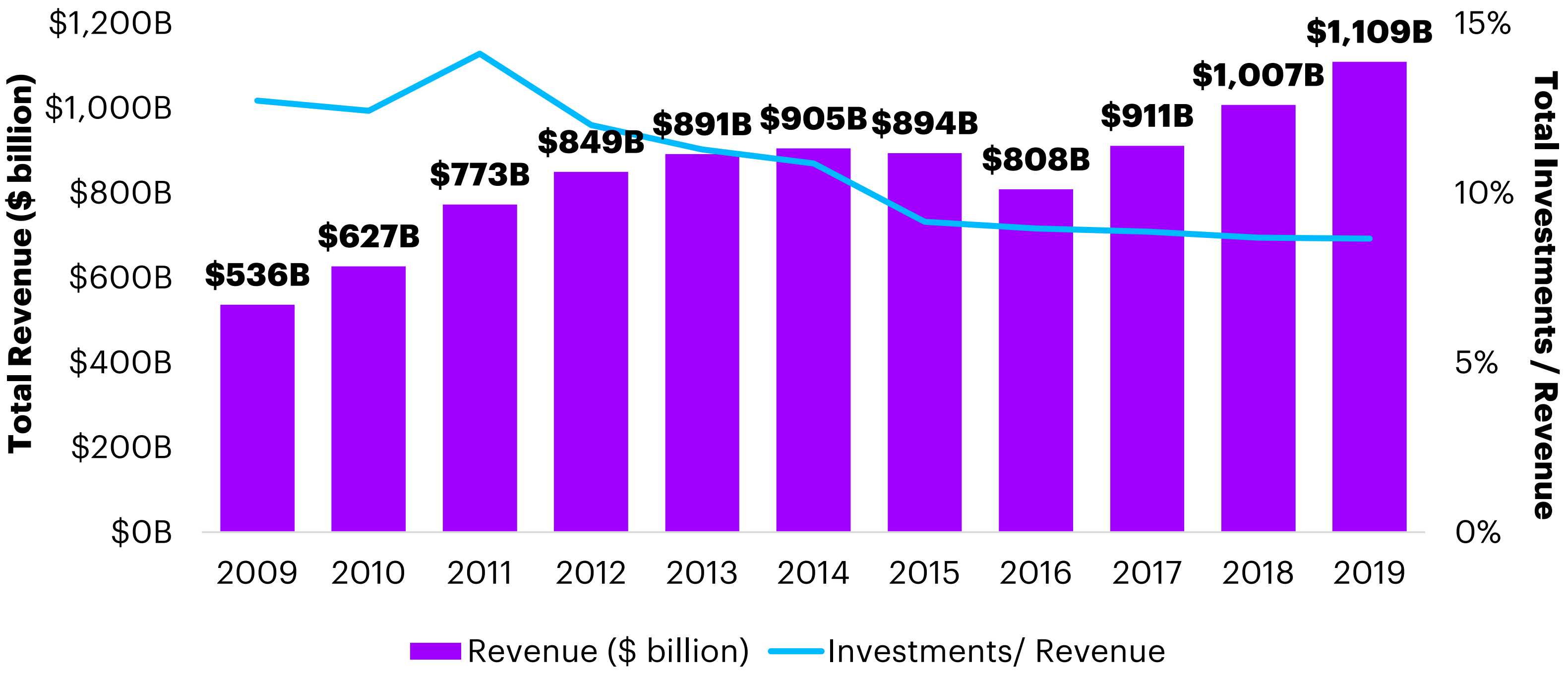
In an age that demands companies stay in a permanent state of change, companies **that survive through disruption will constantly re-invent themselves**, always striving to keep their businesses relevant to the future.

A CAUTIOUS APPROACH IS BEING ADOPTED BY INDIAN CORPORATES TOWARDS FUTURE INVESTMENTS

REVENUE AND INVESTMENT TRENDS

Despite growing revenues, most large companies remain cautious with their investment strategies

Total investments (CAPEX + R&D) relative to revenue (%)
Total revenue ($US billion)



DESPITE GROWTH IN TOP LINE, INDIAN COMPANIES HAVE BEEN CAUTIOUS WITH THEIR INVESTMENTS.

Source: Accenture Research India Wise Pivot Diagnostics, S&P Capital IQ

IT'S DECISION TIME : PIVOTING WISELY TO THE NEW

WHAT?

- A **buoyant stock market** has lifted valuations of the world's top companies since 2009
- BUT this market buoyance does not imply stability. Reality is that most large companies are underestimating the weaknesses in their core business
- At the same time, despite having record levels of cash on their balance sheets, large companies have been **hesitating to invest**

SO WHAT?

- This hesitation can be explained by **two investment decision challenges** faced by large companies today:
  - Inability to replenish **investment capacity**, continuously
  - Fear of getting the **pace** and **direction** of investments wrong
- Pivoting wisely means that the company's **investment strategy will need to flex**; there are four different **"starting" scenarios** to consider, each reflecting a different level of investment capacity and velocity

THEN WHAT?

- Wise pivot requires the leaders to bring the **right mindset** to the decision-making table:
  1. Creating **strong commitment** for new businesses, early, and from the top of the organisation
  2. Unlocking **synergies** between existing and new businesses, to create confidence & fuel for growth
  3. Scaling new businesses intelligently through **external sources of funding**, and **ecosystem partnerships**

Source: Accenture Research India Wise Pivot Diagnostics, S&P Capital IQ

We believe there is a way to move confidently and successfully into new businesses—namely, it is learning how to pivot wisely.

THE WISE PIVOT REQUIRES AN INVESTMENT APPROACH THAT ENABLES COMPANIES TO CREATE MAJOR NEW BUSINESSES WITHOUT PREMATURELY ABANDONING THEIR CORE.

PIVOTING WISELY MEANS KNOWING WHEN TO TAKE ADVANTAGE OF TWO DISTINCT BUT COUNTERINTUITIVE OPPORTUNITIES

1 WHEN THINGS ARE GOING WELL

When a company's core business is flourishing and investment capacity is high, it's the time to stretch.

Pivoting from a position of strength is in fact a best-case scenario, as it allows you to take calculated risks with the existing business and new business activities.

Over the years, an Indian multinational conglomerate has created a collaborative ecosystem that includes global technology firms and reputable institutes for R&D. Their latest initiatives are aimed at innovation through digitization, with a focus on areas such as AI, IoT, VR/AR, geospatial solutions and cybersecurity.

For many years, innovation has been a core pillar of the organization. The company has been a constant feature of Forbes list of the most innovative companies. Their consistent performance over the years has also contributed to the innovation premium it commands in the market.

2 WHEN INDUSTRY DISRUPTION GIVES RISE TO POSSIBILITIES

When industry investments are shifting in a big way towards completely new areas in response to significant industry disruption.

Even large companies cannot afford to stay on a fixed path and expect growth and future success.

An Indian electric utility company is looking to make the most of the government's renewable energy push and aims to increase its non-fossil fuel based power generation portfolio. The company's strategic plan calls for a majority of new capacity additions to come from solar, wind and hydro in next 15 years.
With more than 40 gigawatts of existing coal-fired power plants under financial stress in India, the company is seeking to only add new coal-fired power capacity via fire-sale acquisition, at 30-40% of historical investment. It no longer plans to build new coal-fired power plants.

Source: Accenture Research India Wise Pivot Diagnostics, S&P Capital IQ

WISE PIVOT BEGINS WITH ASSESSING YOUR COMPANY'S CURRENT INVESTMENT CAPACITY AND VELOCITY

PIVOT POSITIONS, QUANTITATIVE ANALYSIS, 2019*

	DETERMINED 28% COMPANIES	COMPELLED 15% COMPANIES	RESERVED 23% COMPANIES	RESTRAINED 33% COMPANIES
STARTING POSITION	Adopted an aggressive investment strategy supported by high investment capacity, to create future growth options ahead of peers. High High	Adopted an aggressive investment strategy, but strong appetite to invest in future growth is limited by insufficient investment capacity. Low High	Adopted a cautious investment strategy, despite high investment capacity, with laser focus on maintaining a strong current business. High Low	Adopted a cautious investment strategy, due to the need to either replenish investment capacity, or to investigate new growth opportunities within limits. Low Low
WHAT'S NEXT?	**How to scale new businesses at speed?**	**Which alternative funding sources can help increase investment capacity?**	**Which new markets to attack leveraging the strong current business?**	**How to reform the current business to replenish investment capacity?**
	Example: Investments of technology companies in internet satellite networks aimed at bringing fast, cheap access to services globally.	**Example:** Automakers forming partnerships to co-develop key infrastructure to accelerate adoption of electric vehicles.	**Example:** Transferring leading-edge technologies such as cloud-based gene-sequencing services to improve healthcare.	**Example:** Active asset swaps and divestment to create investment capacity and strategic focus, in sectors like pharma and utilities.

Investment Capacity Investment Velocity

Notes:
* Based on 958 Indian non-financial companies, Year ending March 2019
Source: Accenture Research India Wise Pivot Diagnostics, S&P Capital IQ

SOME ILLUSTRATIVE ACTION ITEMS THAT EACH SCENARIO PRESENTS

PIVOT POSITIONS, QUANTITATIVE ANALYSIS, 2019*

DETERMINED 28% COMPANIES	COMPELLED 15% COMPANIES	RESERVED 23% COMPANIES	RESTRAINED 33% COMPANIES
Companies in this scenario should consider transferring (at least one of) their proven business models to a new market or industry, with select use of ecosystem partnerships. They must also monitor the performance of new activities closely to avoid overinvesting in areas that do not create business value.	Companies in this scenarios need to pace themselves as they create additional investment capacity by finding alternative funding sources (for example, through partnerships).	Companies with strong financial performance can opt to return money to their shareholders; however, they should also be investing in initiatives with strong potential to leverage the strengths of the existing core business and build on those strengths explicitly through new activities.	These companies should not stop exploring future growth options (while replenishing their investment capacity). For instance, they should consider participating in innovation consortia, and identifying new ideas through crowdsourcing platforms, to name a few options. The priority for this group is to reform and return the current business to growth. Doing so often requires radical actions, such as divesting non-performing parts of the existing business.
High High	Low High	High Low	Low Low

Notes:
* Based on 958 Indian non-financial companies, Year ending March 2019
Source: Accenture Research India Wise Pivot Diagnostics, S&P Capital IQ

Investment Capacity Investment Velocity

LEADING COMPANIES PIVOT TO BE IN A BETTER POSITION TO SHAPE THEIR FUTURE, ON THEIR OWN TERMS

EXAMPLES

DETERMINED	COMPELLED	RESERVED	RESTRAINED
An Indian multinational paint company has lead the way to success with its super aggressive growth strategy. With **strategic investments into capacity enhancement while consistently outperforming industry on ROIC**, the company has set the standards for financial management in the industry. The company also has eyes on its technology needs and on business opportunities based on technological prowess. Its approach of scaling business resulted in **launching 23 products in the 2018** alone.	A leading retailer that operates India's most popular retail chains has perpetually been under reorganization. The company cites that it needs to be pivoting constantly to be able to adapt to changing consumer preferences. However, the mutation has mainly been through an array of acquisitions, divestments and spin-offs. With **44% Revenue CAGR** in the last 3 years, the company has been able to fuel growth. The company has been very persistent in its pursuit of the online-offline model and has not shied away from taking radical steps including its latest partnership with global giant.	One of the oldest manufacturers of two and three wheelers in India, has had an eventful last decade. The management have made many radical strategic and operational decisions. With an **average Capex of <1% of Revenue** in last 5 years against peer median of ~5%, there hasn't been enough investment towards the future business. To deal with slump in its markets, the company has now moved from once not compromising on profits for market share to reducing prices in its largest segment.	An Indian multinational pharmaceutical and biotechnology company, which was once a bellwether of Indian pharma, has suffered due to constant leadership flux and the consequent tinkering in corporate strategy. The company has witnessed a situation, common amongst most of the corporations everywhere – plateauing performance while safeguarding against disruptive forces. **With change in top leadership, the company as part of major restructuring has exited non-core and low profit businesses** and has also started investing toward new molecules and working on repurposing older molecules in advanced stages of development, as new steps into the future.

Source: Accenture Research India Wise Pivot Diagnostics

THE PIVOT HAPPENS IN THREE AREAS

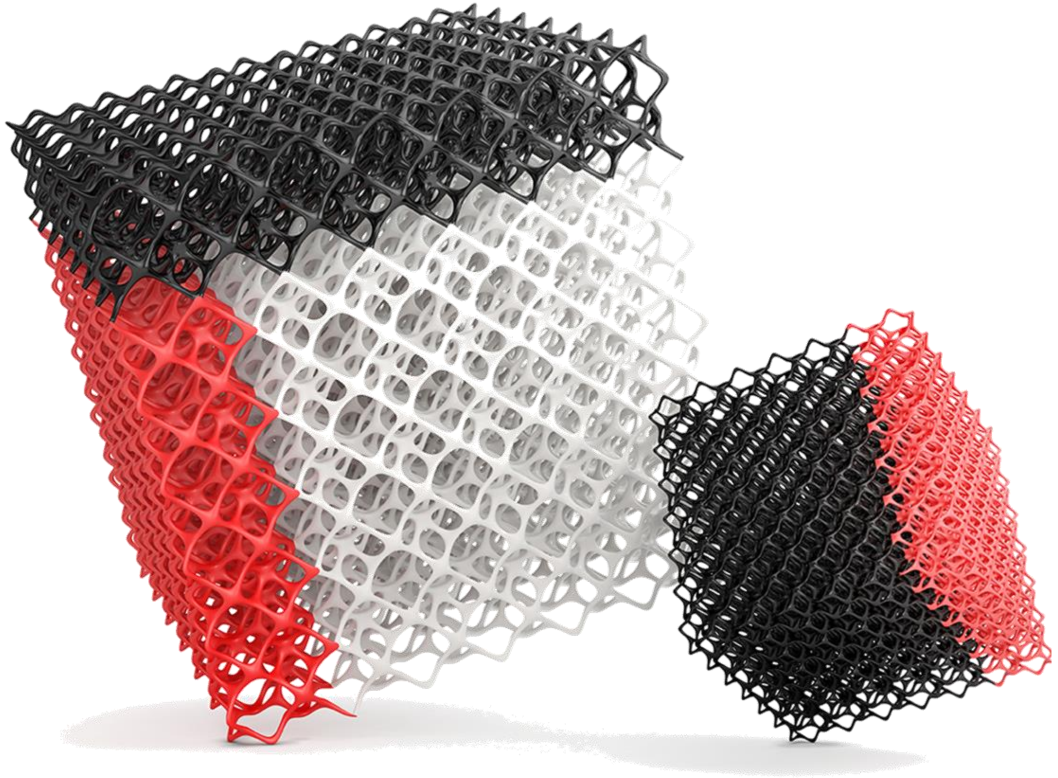
SUCCESSFUL EXECUTION OF A WISE PIVOT REQUIRES COMPANIES TO REVIEW AND ADJUST NINE KEY SETS OF RESOURCE ALLOCATION DECISIONS

These settings are the levers of control that determine the shape, speed, and trajectory of the strategy: the pivot points around which your portfolio turns in the old, the now, and the new

INNOVATION	FINANCE	PEOPLE
Concentration Centralized **vs.** Decentralized	**Fixed Assets** Own **vs.** Pay-as-you-Go	**Leadership** Operators **vs.** Entrepreneurs
Control Directed **vs.** Autonomous	**Working Capital** Ready Made **vs.** Made to Order	**Work** Human **vs.** Machine
Aspiration Incremental **vs.** Disruptive	**Human Capital** Reskill **vs.** Redirect	**Culture** One Culture **vs.** Culture of Cultures

Source: Accenture Research India Wise Pivot Diagnostics

THE INNOVATION PIVOT ...
SOURCE OF DISRUPTION



CONCENTRATION:
CENTRALIZED VS DECENTRALIZED

CONTROL:
DIRECT VS AUTONOMOUS

ASPIRATION:
INCREMENTAL VS DISRUPTIVE

HOW TO PUT INNOVATION TO WORK
ACTIONS TO TAKE NOW

	CONCENTRATION Centralized vs Decentralized	**CONTROL** Direct vs Autonomous	**ASPIRATION** Incremental vs Disruptive
Identify what works for your organisation	Centralizing innovation improves integration, but may interfere with a company's ability to act on the best ideas of employees and stakeholders. This approach can also be countercultural for companies whose business model gives autonomy to its business units.	Giving R&D staff and corporate venture fund managers freer rein to pursue the projects they think are most promising respects their expertise, but it may mean dead-end projects go on way too long, diverting precious resources from more promising efforts.	While experiments with emerging technologies maximize the potential to create a big bang disruption, no company can bet solely on moon shots. Some innovation bets, especially those aimed at growing the core, need to be more circumscribed in scope and reasonably certain of success.
What you should consider?	The question is where along the concentration spectrum your company works best, is able to deliver growth today and in future.	Tie your **innovation investments and R&D efforts** to the desired long-term performance (i.e., growth in revenue, profit, customer base etc.), not only to short-term efficiency benefits.	Organise differently for **disruptive innovation initiatives** (e.g., go beyond experiments, and turn those initiatives with the highest disruption potential – or your 'moon shots' – into *new* businesses).

Source: Accenture Research India Wise Pivot Diagnostics

WHERE ALONG THE CONCENTRATION SPECTRUM DOES YOUR COMPANY WORK BEST?

One of India's leading consumer goods companies has ramped up its new product development efforts by refining and streamlining its processes and is making concerted attempts towards offering unique consumer propositions across all markets. In order to render the process more agile, the approval matrix for introduction of new variants or extensions of existing product lines has been simplified.

The innovation strategy in the company is now more centrally driven. Big ticket ideas or proposals of entry into new categories require the sanction of the Innovation Council (headed by the MD & CEO). Each new product idea is led from inception to launch by a dedicated cross functional team to ensure robust planning and execution.

CENTRALIZED

VS

One of the largest FMCG companies in India, has divided India into 14 clusters based on consumption patterns and stages of economic development and 15 country category business teams. These teams are empowered to do whatever is needed to deliver. This led to localization to the extent of products, distribution, supply chain and the legal function. This has speeded up decision-making and the company has been able to roll out innovations faster.

The company realized that targeting India as one market does not work given their size and scale. They have been successful in decentralizing the innovation function, which has also led to an increase in the rate of innovation.

DECENTRALIZED

Source: Accenture Research India Wise Pivot Diagnostics

TIE YOUR INNOVATION INVESTMENTS TO THE DESIRED LONG-TERM PERFORMANCE

DIRECT	VS	AUTONOMOUS
One of India's leading private sector banks founded its digital transformation and mobility banking unit in 2014 with a view to position itself at the forefront of digital innovations. Since then, the bank has launched a host of digital banking products including auto loans using biometric technology, fast personal loan on net-banking, missed call recharge, instant loans at ATM and humanoid robots at its branches. The bank has been successful in cascading the impact of its innovation efforts across product categories while maintaining a direct control on its investments and desired outcomes.		Started as an online mobile recharge and bill payment platform, an Indian e-commerce payment system and financial technology company now enables its users to make almost every kind of transaction on a click of a button. With an e-commerce marketplace, payments bank, wealth-management products, et al. already in its portfolio, the company is looking to launch its stock broking arm next. The various units offer differentiated and innovative products/services. Operating autonomously, almost all units have been successful in scaling up on their innovation efforts and subsequently operations. The company, through its innovation strategy has set the template for capturing every related market that exists.

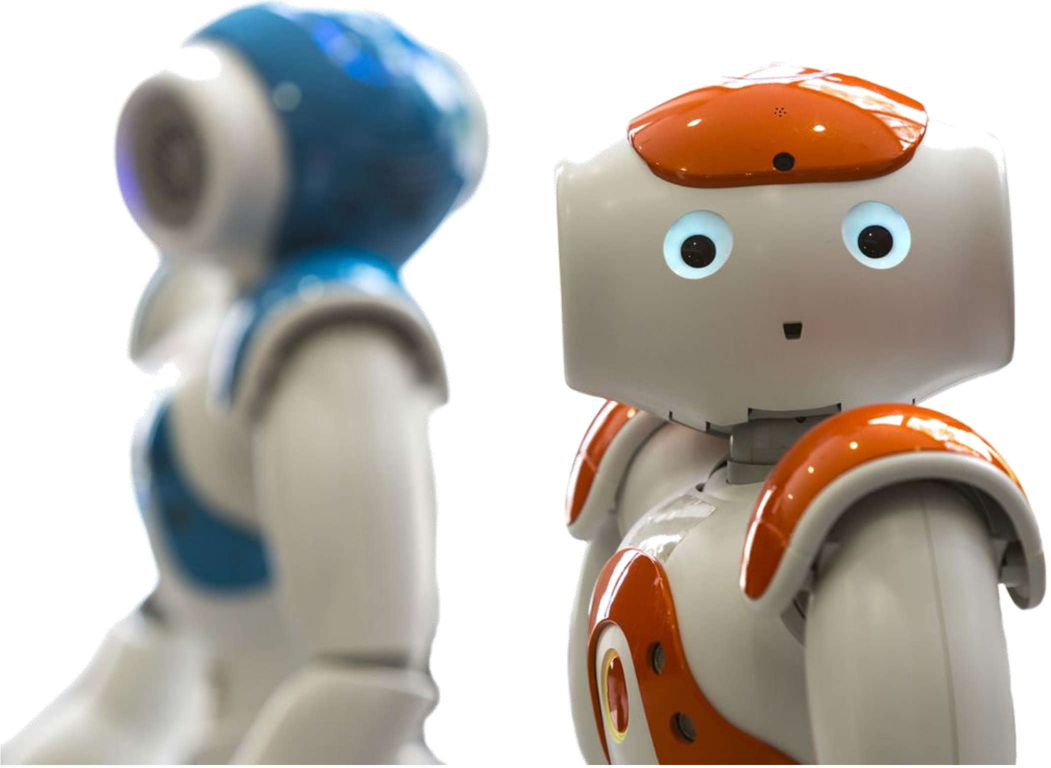
Source: Accenture Research India Wise Pivot Diagnostics

DIFFERENT INNOVATION BETS NEED TO BE ORGANISED DIFFERENTLY

INCREMENTAL	VS	DISRUPTIVE
One of the largest Indian global telecommunications services company has been actively making collaborations, acquisitions, and setting up new technological teams and labs. With investment in technologies ranging from artificial intelligence to augmented and virtual realities, the company is looking to foray into home automation, and smart home projects based on Internet of Things. They have also collaborated with a European data networking and telecommunications equipment company to use its hybrid self-organizing networks solution, which uses predictive machine learning and analytics to optimize network utilization. The company is taking incremental steps to transform into being a fully digital service provider.		The telecom venture of one of the largest conglomerates in India, entered the telecom sector and took the sector by storm with free offerings and rock-bottom tariffs. With introduction of VoLTE in the Indian market, it managed to overhaul the industry dynamics. It continues to enhance its offerings portfolio and disrupt other related markets like television and broadband. Today, it is placed as one of the largest telecom enterprise in terms of subscribers, revenues and profits. Their decision to organize differently for its disruptive innovation initiative and turn its 'moon shot' into a new business has paid off well, to say the least.

Source: Accenture Research India Wise Pivot Diagnostics

THE FINANCIAL PIVOT ...
TO ENABLE DISRUPTION



FIXED ASSETS:
OWN VS. PAY-AS-YOU-GO

WORKING CAPITAL READY
MADE VS. MADE TO ORDER

HUMAN CAPITAL
RESKILL VS. REDIRECT

THE THREE LEVERS OF FINANCIAL PIVOT

	FIXED ASSETS Own vs Pay as you go	**WORKING CAPITAL** Ready made vs Made to order	**HUMAN CAPITAL** Reskill vs Redirect
Identify what works for your organisation	Shredding fixed assets adds great agility to business models in fast changing business landscape. It lowers ongoing costs while reducing the risk of obsolescence. However, embracing "as a service model" can dilute company's uniqueness and undermine its ability to develop their own innovations.	Reducing inventory-handling costs minimizes the risk of accumulating storage fees and forced clearance sales. On the other hand, too little inventory reduces economies of scale and worse can also damage the brand if you underestimate the demand.	Skilled employees are the hardest asset to buy on a as-needed basis. Disruption caused by an expanding trapped value gap, however, is rapidly diluting the advantage of having fulltime workers. At the same time, the need for new skills in new technologies is urgent, with qualified workers in short supply.
What you should consider?	The most important question company may want to ask is if the infrastructure works as an asset or a liability, given their industry and market dynamics, and make strategies, likewise.	Companies can adopt new techniques of inventory and supply chain management, based on machine learning and IoT. This will allow faster adjustment to changing market preferences.	As a part of their wise pivot, companies need to balance the investments toward enhancement of employee skills with the purchase of expertise through part-time engagement.

Source: Accenture Research India Wise Pivot Diagnostics

SOME ILLUSTRATIVE EXAMPLES AROUND THE LEVERS OF FINANCE PIVOT

FIXED ASSETS

An Indian food-products corporation has been pursuing an asset strategy aimed at improving its reach, cost management and production capabilities. It is looking to better operational efficiencies by striking the right balance between in-house and outsourced manufacturing.

Until not very long back, contract packers accounted for 65% of the production. The company is now reducing the number of contract packers in order to reap the benefits of greater degree of control. However, there are no plans to stop outsourcing. They believe that distributed manufacturing is the best way to operate. A trade-off needs to be made and the company is bent on getting it right.

WORKING CAPITAL

An omnichannel furniture and decor retailer has built a specialist ecommerce business, with a strong focus on unit economics, conserving cash and keeping costs low.

In its first year of operations, while other retailers were expanding to multiple cities, the team focused on only 35 categories and three cities. In the same period, while competitors offered a wide range of products, it stuck to a smaller offering and kept inventory light. The company did not spend cash on managing inventory, and stocked on products that would sell fast, such as nested tools and small shelves. Since then, the company has continued to scale up with a cautious and efficient use of capital.

HUMAN CAPITAL

As a leading global professional services company, it embarked on a journey to reinvent itself and stuck a perfect balance of investments toward talent acquisition and reskilling. Since 2015, the company has built, largely from scratch, a $2 billion practice. Much of the influx of specialized talent into this practice came from acquisitions.

However, even a high level of M&A activity wasn't enough to give it the scale essential to its pivot to the new. Hence, investments towards reskilling also became a top priority. Substantial investments were made to reskill its employees, with over 290,000 people trained in new technology ($925 million in FY2018 towards employee development).

Source: Accenture Research India Wise Pivot Diagnostics

THE PEOPLE PIVOT ...
TO POWER DISRUPTION

LEADERSHIP:
FROM OPERATORS TO ENTREPRENEURS

WORK:
BALANCING HUMAN AND MACHINES

CULTURE:
BALANCING ONE CULTURE AGAINST A CULTURE OF CULTURES

HOW TO MAKE PEOPLE PIVOT CLICK
ACTIONS TO TAKE NOW

	LEADERSHIP From operators to entrepreneurs	**WORK** Balancing human and machines	**CULTURE** Balancing one culture against a culture of cultures
Why people pivot is critical	There is an inherent trade-off between leaders focused on business creation (entrepreneurs) versus leaders focused on business running (operators). Today, in an environment characterized by continual disruption, companies need both.	The fear of machines taking over humans has always been misplaced, if not overstated. Against the common belief, this may offer companies to improve the nature of human work by finding what Accenture Research calls the "missing middle" – technologies that empower workers rather than replace them.	Pivoting to the new often requires companies to adopt more of the kind of open and entrepreneurial culture that spawned the information revolution, including the social values and work ethic of a younger generation of workers.
How companies can pivot	It's the rare executive who can juggle the two roles at the same time, meaning companies need multiple leaders with different skills and styles.	The exact picture of the workforce of the future may remain unclear for some time to come; however, companies will need to engage, sooner rather than later, their potential in the missing middle.	There is a challenge for businesses to move from a single set of uniform operating principles toward a more inclusive model: a culture of cultures. In doing so, leaders must take care not to lose sight of the principles, including a shared mission everyone believes in.

Source: Accenture Research India Wise Pivot Diagnostics

SOME ILLUSTRATIVE EXAMPLES AROUND THE LEVERS OF PEOPLE PIVOT

LEADERSHIP

A division of an Indian Non-Banking Financial Company (NBFC) is a story of transformation of a captive finance division of an automaker to one of the most diversified non-banking firm in India today. Its new MD, just after the formation, always advocated it's liking towards start up atmosphere and the enthusiasm associated with it to create a growth story. This meant bringing in similar style of leadership into the company as well.

In last 10-11 years, after the leadership change, the company has grown multi folds. The profits have pole-vaulted ~19 times and the assets under management have swelled ~12 times during the same period.

WORK – HUMAN VS MACHINE

A leading Indian multinational car manufacturing corporation today uses a number of new technologies and processes in its manufacturing and even on the shop floor. The idea behind using these new technologies is to reduce stress for its workforce as well as enrich them with new skills.

It already has a "robotic weld line" at its factory in Maharashtra, which caters to many of its products including its flagship cars. Its also a proud 'Make-in-India' achievement, as it was conceptualized, designed and built in India and substitutes the company's need to source a similar line from foreign markets

CULTURE

A large Indian consumer goods company believes innovation to be a key driver of its growth strategy. Over the years, the company has made conscious efforts to re-architect its approach to innovation and build a culture which is conducive for innovation. Apart from an accelerated innovation pipeline and significant investments in R&D, they are employing design driven thinking to come up with better and faster innovations.

The process that they have laid down involves attracting high quality talent and then energizing and developing them through challenging stretch roles and then rewarding high performance. It's about creating the right kind of culture and value systems, and giving individuals a sense of purpose.

Source: Accenture Research India Wise Pivot Diagnostics

BUSINESS LEADERS CAN HELP THEIR COMPANIES TO PIVOT WISELY BY ADDRESSING THE FOLLOWING QUESTIONS:

DO WE UNDERSTAND THE **SCALE OF INVESTMENTS REQUIRED** TO ROTATE TO THE NEW?	ARE WE COMMITTED TO **DIRECTING INVESTMENTS TO NEW** BUSINESSES?	DO WE KNOW **WHEN AND HOW TO REPLENISH** INVESTMENT CAPACITY?
1. How much investment capacity do we need to scale new businesses? 2. How much investment capacity do we need to transform the core business? 3. How much investment capacity do we have available right now?	1. When should we start to scale new businesses (e.g., when a new business exceeds 10% of total revenues)? 2. What are the relevant success metrics for each "new business" case? 3. How quickly can we unlock the top synergies between the core and new businesses (e.g., through shared assets)?	1. Which partnerships and/or participation models can offer access to new sources of capital funding? 2. Which partnerships and/or participation models can offer opportunities to generate / share revenues? 3. How can we bundle / repurpose relevant core assets to create additional oxygen for growth?

Wise Pivot Decisions: Sample Only

Source: Accenture Research India Wise Pivot Diagnostics

ABOUT THE RESEARCH

HOW THE DISRUPTABILITY INDEX WAS BUILT

Our index measures an industry's current level of disruption as well as its susceptibility to future disruption. For the former, we examined two components: the presence and penetration of disruptor companies, and incumbents' financial performance. For susceptibility to future disruption, we measured three components: incumbents' operational efficiency, commitment to innovation, and defenses against attack. To measure these variables, we built a bottom-up index using data from 2,005 companies

27

INDICATORS

19

INDUSTRY SECTORS

COUNTRY: INDIA

2,005

COMPANIES

ABOUT THE RESEARCH

HOW THE DISRUPTABILITY INDEX WAS BUILT

CURRENT LEVEL OF DISRUPTION		SUSCEPTIBILITY TO FUTURE DISRUPTION		
DISRUPTORS	**PERFORMANCE**	**EFFICIENCY[1]**	**INNOVATION**	**DEFENCES**
Tech-propelled disruptors (Incumbents growing fast or disrupting other segments) **Start-up penetration** (Presence of start-ups in the industry) **Venture capital** (Value of VC capital flows into the industry)	**Profitability** (5yr EBITA CAGR) **Consistency** (5yr EBITA consistency) **Growth** (5yr Revenue CAGR)	**Transaction intensity** (COGS/Revenue—avg. & variance) **Asset intensity** (CAPEX/Rev.;Revenue/Invested Capital; PP&E/Rev.—avg. & variance) **Labour intensity** (Labour cost portion of GVA)	**Investment in R&D** (R&D/Revenue; R&D investment per industry) **Investment in new digital technologies** (Spending on AI technologies) **Positioning for the future** (Future Value proportion)	**Brand dominance** (Prominence of incumbent brands; Customer acquisition) **Openness** (Concentration of market share; Regulatory environment) **Value creation** (Proportion of companies with Trapped Value)
PRESENCE AND PENETRATION OF DISRUPTORS	**PERFORMANCE OF INCUMBENTS**	**ABILITY TO OPERATE EFFICIENTLY**	**PURSUIT OF INNOVATION**	**PRESENCE OF BARRIERS TO ENTRY**

[1]For each of the efficiency measures (other than labour intensity) we create scores based on both the industry average and the variance in industry performance. This is to account for structural differences between industries. For example, the score of an industry with high capital intensity would be offset if there was limited variance in capital intensity between companies in the industry, and vice-versa.

ABOUT THE RESEARCH

WISE PIVOT DIAGNOSTIC MODEL

A financial and investment analysis of 958 non-financial services companies from 16 industries was conducted using Accenture's proprietary Wise Pivot diagnostic model. The model assesses the pivot intensity of companies using two measures: investment capacity and investment velocity over a five-year period.

Investment capacity is a function of liquidity, cash replenishment capability and access to financing. We combine the following three factors to determine an index score:

Liquidity: Measured by cash over revenue(five-year average) with a weighting of 40 percent.

Cash replenishment: Measured by operating cash flow over revenue (five-year average) with a weighting of 40 percent.

Access to financing: Measured by cash from financing over invested capital (five-year average) with a weighting of 20 percent.

Investment velocity is a combination of the direction and rate of investment. The direction of investment is about the shift of investment into future businesses. The rate of investment is about how fast investments are allocated in comparison to competitors. We determine an index score using the following measures with equal weightings.

Investment direction: Measured by increasing share of R&D in (R&D + capital expenditures), increasing share of marketing and sales in operational expenditures and increasing share of intangibles in (tangibles + intangibles) over a five-year period.

Investment rate: Measured by increase of R&D (R&D over revenue), CAPEX (CAPEX over revenue), and the sum of intangibles, PP&E (property, plant & equipment) and goodwill (total sum over revenue), each in comparison to competitors over a five-year period.

FOR MORE INFORMATION, PLEASE CONTACT

Anindya Basu

Geographic Unit and Country Senior Managing Director,
Accenture in India
anindya.basu@accenture.com

AUTHOR

Himanshu Patney
Senior Principal, Accenture Research himanshu.patney@accenture.com

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