

# PANEL 3 - THRIVING IN THE NEW NORMAL - TECHNOLOGY AS ENABLER OF COMPRESSED TRANSFORMATION

## VIDEO TRANSCRIPT

- Hello, I'm Tom Metcalf, a finance journalist with Bloomberg, and I'm delighted to be moderating our third and final panel, Need for Speed: Technology as an Enabler of Compressed Transformation. Thank you very much for being with us today. So this is obviously a vast topic. And for those of you at the World Economic Forum in Davos last month, you'll know that tech and innovation was one of the recurrent themes there. There were sessions on crises, experimentation and innovation, the digital economy, and how all this ties in with inflation. And this idea of compressed transformation is really fundamental to all of this. And for those of you looking for a definition, basically it is this idea that all businesses now are really in a world where they need to move faster than ever before, if they are to succeed. So it's clearly something that all executives, at all companies, are gonna have to be wrestling with. And I'm delighted to welcome our panelists for this discussion. So they are KC McClure, the CFO of Accenture, and Cynthia Chu, the CFO of Audible. So without further ado, let's get started. And KC, I wanted to turn to you first, to really set the scene for our audience. So why for you is this idea of compressed transformation, such a critical concept in today's world?

- Well, first of all, thanks, Tom, for inviting me to this panel. And it's great to have an opportunity to speak with you as well, Cynthia. And I think there's really, if you look at the technology backdrop, I would say there's really three things as it relates to what's happening in tech transformation. So first, start with what companies have done over the last two and a half years in this unprecedented disruptive environment. Companies that have done well have leveraged technology to transform their enterprise, often through the use of compressed transformation. And just to build on your intro and what you talked about, in terms of compressed transformation, the way we think of compressed transformation, it's simply saying, it's translating technology, data, and AI into value, okay? So we obviously all wanna do that. But it's also then doing it at speed. And oftentimes, with multiple transformations happening at the same time, where traditionally a lot of times that would be sequential. So that's the compressed transformation as we define it. And the exponential pace of technology innovation is here to stay. It's going to continue, which is rather exciting, 'cause it opens up, probably, an unprecedented period of change and positive



momentum forward, than we've ever seen. So that's a bit of the technology backdrop. And if I think about what you're talking about at Davos and everything that's being discussed, as it relates to the macro, why is this compressed transformation important? Even with the discussion of inflation and recession, technology spend as a percentage of GDP right now is about 5%. And the view is that it will go to 7% by 2030. So it's a big increase in GDP. And in these times of disruption and uncertainty, IT spend is even more important, because it really empowers the business to be able to have access to data in real time analytics. And I know Cynthia's gonna talk a lot about that, about the COVID. We have had our experiences, all of us, in the last two and a half years of pandemic, you have to move with agility, and you have to be able to go rapidly during periods of, you know, uncertainty. And maybe I'll give it, I'll bring it home in just a study that we did, and we released at Davos, that Accenture did. What we found out is that because of the pandemic, and also Russia's invasion of Ukraine, there's a massive impact on your European supply chain. In fact, it's going to take two years for that to correct. No company has two years for their supply chain to sort itself out. So you really need to have data and information to be able to predict and plan, and meet your customer's needs, right? So that, really, without that data and without that real time information, you can't shift to the demand, capture the growth, and get what was most important to all of us, meet or exceed your client's expectations. And then lastly, Tom, I would say in terms of why it's so important is, you know, it's all about performance and expectations of business performance. So interestingly enough, we did research before the pandemic in 2019. And what we showed was that the leaders in digital adoption, if you were in the top 10%, you performed better, two times better, than what we call the laggards in technology digital adoption in the bottom 25%, the bottom quartile. We did that after, we did that same survey after the pandemic hit. And what we saw is that two times gap widened to five times, right? So it really, it does pay off in times of disruption or uncertainty in the business to continue to invest in technology even faster than you've done in the past, because it will prove to yield business dividends.

- Yeah, that's quite the, ah, quite a change from 2X to 5X. So, and Cynthia, maybe now's a good time to, we love to hear a case study. So, CFO of Audible, yeah, I understand something pretty dramatic happened to your company in the pandemic. And you really had to pivot.

- Absolutely. And what KC mentioned about data technology and algorithm, all of those being, going at the same speed, we at Audible definitely saw all of that coming to life during the pandemic, definitely, in the last couple years. You know, a couple of our people principle moved fast to make things real. And studying and drawing from technology and culture really helped us focus on how do we bring these value to life for our customers. I'll talk about a few things, right? For Audible, being a digital audio media company, commuting and traveling we're the top two use case for us. And obviously with the pandemic and the lockdown, those two, overnight, essentially were gone. And so that customer behavioral change, and a macro change, really drove us to really have to examine in how do we re-habituate our existing customer as well as, I think as an opportunity, introducing listening as a use case to new customer, to customers that never really thought about Audible being in their life and in their habits. And I think really thinking about adapting to these changes and use cases really quickly based on data, how do we actually reintroduce them to and reeducate them, that besides commuting, there are other use cases, walking your dog, going to do your chores, doing gardening. And quite frankly, escaping the reality that all of us had experienced in the last couple years around the globe, were some of the insight and data that we rely on. And from a technology standpoint, I'll give a couple case studies, real time. In front of end user, obviously when the lockdown happened, very quickly, within about 10 days of, at least in the US, from a lockdown standpoint, we immediately mobilized and created a free experience because we know that many, tens of millions of our members and prospective members, quite frankly, just families in the world, are facing



being at home with everybody. And so creating that free listening experience, using technology to move fast, was something that we were able to do. And, you know, during that year and a half of that experience and initiative, we actually reached over 25 million unique listener, bring this listening experience to life for folks from over 120 countries. So that's the end user use case. We as a content company as well create the creative communities, also, a key stakeholders of ours. So obviously during the pandemic and the lockdown, physical production wasn't available for video production. What we were able to do is actually, with our deep relationship with a lot of talent and narrators, we actually even consulted with a famous British actor, Richard Armitage, to really figure out like, how do we actually take the in-home studio experience to outfit that into all of our talents' home? For those talent that doesn't have the space, we actually have talent that built in-home studio in their closet, in their bathrooms, using technology that we help them to build. We actually shipped out over a hundred recording kits to our talent and creative communities, so that we were able to continue those audio production. To serve our creative community, we also, when Broadway was locked down, we went and supported that community, and actually brought some of those play and worked them out into in-home studio recording setting, or via some of these in-home recording kits, so that we were able to actually bring the stage to tens of millions of customers' ears. So that's another way, use case if you will, in how we use technology to really quickly pivot to sort of-

- And then what pivots, we're talking about compressed timeframes, was that pivot, you know, much, much quicker than anything you've experienced before, because of obviously COVID and, you know, various other things, would you say?

- Yeah, absolutely. I think it just accelerated a lot of that, some of these trends, that we're seeing from a consumer standpoint, as well from our creator standpoint. But it just really goes to say, what we need to do in acting really quickly and being agile.

- All right, and, KC, I don't know if there's sort of any good examples from either your perches

, sort of CFO of Accenture, the firm, 700,000 employees, or, obviously, you know, this big roster of clients you sort of have.

- Yeah, but it's so interesting 'cause I, Cynthia, I hear all of, you know, your examples and there's just so many use cases that you had within your own enterprise, right? And that just makes me reflect and think about why technology is gonna continue to be so important, IT spend, we believe will continue. And it's really due to the fact of what we're calling total enterprise reinvention. And what that really means is that every part of the enterprise, every part of a company, has to really reinvent using technology, data, and AI. So you have to do that across, it's not just one area, one group, one department, it's the entire enterprise. You have to do that and couple it with new ways of working and also making sure that you're engaging with your customers, right? That all of that's gonna help you optimize your operations, but also have opportunities to grow your top line. And so, you know, I guess, I continue to reflect on how many places that can go. So what do I mean by total enterprise reinvention? It's areas such as, you know, core functionality in operations of finance, HR, supply chain, right? It's doing things across your enterprise, of building the digital core in the cloud, and re-platforming your business, right? A whole new area that's really big, that has, it's ripe for technology and digitization, is what we call Industry X, which is engineering and manufacturing. That's an entire new space that will have profound changes in the years to come in the area of technology. And all of that, at the end of the day, with a really continued focus on the relevance of putting customers at the heart of everything. So when you look at how, again, reflecting on what Cynthia talked about and what we're doing to ourselves, we're doing this total enterprise reinvention across Accenture, right? And we're very far along in all of the different areas within Accenture, whereas you would hope a very well run, digitized, technology-driven enterprise, and yet we're not done, right? So we're doing that. We wanna be our own best credential in this space. And when we look at it with working with our clients, we're



in the early stages of really beginning and then moving to do entire total enterprise reinvention. But it's really exciting, 'cause then the only, you know, with that, you can respond so much quicker to what will continue to be an ever rapidly changing world.

- And I get, I mean, it is great, you're both CFOs, right? Because obviously the bottom line, you know, is paramount in both your minds. So I dunno, Cynthia, I mean, you know, when you had to make this pivot, obviously probably pretty expensive. So I mean, what were those discussions like? Was it sort of, you know, was it a case of sort of long, beatin' your head against the wall type thing? Did everyone buy in quickly? How did it work at Audible?

- I think the way that we think about it internally is, at the end of the day, our north star metric is creating long term, sustainable customer lifetime value, right? In order to create that, as KC said, we gotta, it's a whole company, it takes a village. Everybody gotta be part of that value train and creating that value in a compressed timeframe, in the current environment. And so I think when we break down the problem and look at it from a customer backwards standpoint, it's actually a pretty easy decision. It's the investment that we're investing into the long term. And also I think, it's really making sure that every department are a part of this decision, and the understanding the needs to be able to invest in some of these foundational infrastructure. Now for a native digital company, it's perhaps a little bit easier because that's, you know, that's where we exist. That's the space that we play in. And so from a, you know, our software engineer, our human capital and the talent of an employee, that's super important. We gotta be maintaining, you know, we have to be able to build things that are bringing value to our customers, our end user, every day in order to, quite frankly, keep our internal talent motivated. So it's really kind of a, quite a flywheel in all the stakeholders that we we serve in. And I think that from a value creation, we keep our north star on, on the customer and work our way backwards. That's kind of all the decision that we make.

- And I know, there's been another panel sort of focusing on agility in the year. So is that sort of, what's a key piece of advice, I guess, Accenture will give to its clients? I guess you have the

example of Accenture, you can kind of show the benefits, but is there, you know, sort of a playbook, you sort of can hand certain companies, or is it, you know, case by case?

- Yeah, I mean, I think there are clearly, you know, different ways to go about this. And obviously there's certain methodologies that we use and that we empower our client teams and our clients to work with. But one of the things I would mention, you know, you talked about a previous panel that I thought was kind of interesting too, was one of the benefits that you can get from deploying technology, which is really important to all of us, and I know they talked about this on the ESG and sustainability panel that was also hosted, is that when you do, and Cynthia talked about being a digitally native company, right, a lot of companies are not that, right? And they're putting in, they're spending tens or hundreds of millions of dollars on, you know, technology transformation. Well, we're very passionate to hear, and I know I'm sure the audience is, and clearly, you know, that's the discussion a lot of Davos as well, is on the importance of sustainability and ESG. And so when you do this, you have the ability to, when you do a technology transformation, and I know CFOs all know what this means, because we also did a survey that showed that when most companies are looking to, who's gonna get everything kind of, their arms around delivering on the goals and the promises that companies are making in ESG and sustainability, the majority of the time is the CFO, right? So, but there's ways that when you're doing this spend on technology transformation, that you can embed it, embed it in from day one, right? So it's not necessarily additional spend, right? But it's something that you need to get done that does pay benefits. So, Tom, I know that's a little different from like what's the playbook, but I would say that's something that we say, I would say is in the playbook that we reinforce as all of us are looking to make significant gains in ESG and sustainability. This is one way that you can use that and just embed it in.



- Yeah, 'cause as you say, all these, you know, huge things are coming along at the same time, which makes this whole thing just, you know, particularly challenging. And, you know, talking of challenges, I don't know if either of you have any sort of great, great or painful lesson from these processes or sort of experiences that might help our audience going through this. I dunno, Cynthia, if you've got any.

- Yeah, I actually. Absolutely, reflecting on that question, during this, at the start of the pandemic, we were actually undergoing and planning, quite frankly, even pre pandemic, a pretty major product launch. And in the second quarter of 2020, amidst, you know, putting our stories, getting in-home kits outfitted in our narrator homes, we were actually re-examining whether or not, we should still go ahead with the product launch. I mean, at the time, there're many other kind of tales of other streaming services that may not have had as successful of a launch. But again, going back to creating value for our customer, observing some of those macro trend that we're already starting to show and where our customer and where their needs are transforming. We still, you know, went ahead and decided that that's the right hypothesis to go out, go down the route and to stay true to the route. And I think that paid out, because I think, during the pandemic, being able to create a product that are more versatile, and have more availability, and a variety of different content at a lower price point was really kind of the way that we were examining and we were moving forward. And so I think really staying true to that, and it could have gone many different ways, but we stayed true to that. And that was a big lesson learned at least internally across the department that, you know, when the hypothesis is there, and then the signal is there, and the data is there, we continued down route.

- And as this pandemic eases, you know, does Audible have to sort of, you know, is there another pivot in the offering or, you know, I guess-

- I think, I think change is the constant as they say nowadays, and the product launch and the pandemic taught us is that our customer are fast changing. Their behavior is fast changing. And I

think, if we stay true to creating value for our customer in a sustainable way, and focusing on how do we actually create long-term, customer value, lifetime value, is a metric that we use internally. That's the north star that we're driving towards. And then, you know, there, it might take a little bit longer time. And as KC mentioned, some of these investment that we're putting in into infrastructure are enablement for us to grow, enablement for us to scale globally. And so those are some of the internal, capital allocation discussion that we have actively, short term prioritization, as well as the long term.

- Got it. And, KC, I've gotta ask, I think Accenture added something like 200,000 employees sort of in recent, is it maybe the past two years or something like that, or even less? Is that all, I mean, how on earth do you kind of, again, is that just one of the massive challenges you have to do at the same time? It's kind of bringing new people on.

- Yes.

- How do you think about that?

- Yes. I mean, I think, you know, going from what Cynthia said, look, you know, change is constant and we always talk about would there be change, here at Accenture, as well as, you know, the pace of change is never gonna be as slow as it is today, right? It will never be as slow as it is today, right? So it just means everything's gonna accelerate. And so when you look at that, you think, how do you manage that? So you talked about how do we bring so many people on board to Accenture, but I think it plays to all companies, which is saying, when you look at this pace of change, which is, you know, unprecedented and will continue to accelerate, you have to then look at your people, and you have to really look at your talent. And of course we have 700,000 people. So we look at that, maybe even more than many companies, but it still is the same for every company. Every business has to be able to access talent, particularly in this, you know, constrained



environment that we have. And that also means that you have to be a talent creator too, not just a consumer of talent. And you need to really work to figure out how do you upskill your talent, to take them on this fast paced journey that we're all going on together. And so we really believe that successful companies are going to really consider this, and think about talent in a very different way. And you really have to think about your people in doing this technology transformation, in the skilling, the upskilling, the re-skilling, retention and the recruiting of the right skills. So in order to do that, we really think you gotta look at different pools. Many companies need to look at different pools of where to get talent, to be able to do this technology transformation with you. And that's one of the reasons why managed services has been so strategic for us, because, you know, what we have done, what we believe through much of our research is that potential is greater than pedigree. And that, so we're all also able to really expand our talent by the pools that we're sourcing them, that focus really primarily on skills. And so, I think that's really a very different way of thinking. And we're looking for people with high learning agility, from a wide variety of backgrounds, and to teach them, you know, for high demand skills. So I think that's really an important part of everything that we just talked about on the pace of change and being able to manage with that. And I think on the other side, Tom, you mentioned like, what would it, what are the lessons learned or what are the harder things? I think it's just, this is really hard. You have to be uncomfortable, you know, you have to get comfortable with being uncomfortable. It's the pace of changes, since you've said, it's not gonna slow down. And so that's also why we focus a lot on people and talent, and making sure that you are helping your team, and leading the team that works with you day to day. But also for those of us in the C-suite, not underestimating the amount of investment it takes for all of us to get our peers, ourselves, comfortable with the amount of change, right? But it's, you know, it's really is exciting though, to think about what we can all do and what technology can really enable all of our companies to do, from those digitally born like Audible, as well as those who are reinventing themselves and have been, you know, clients with us for decades upon decades.

- Fantastic. And I know we're into our last few minutes. So, Cynthia, I dunno if you have sort of maybe in a couple of sentences, your sort of biggest takeaway from all this, or where it might go, any sort of final thoughts from you?

- Yeah. Reflecting on a lot of things that KC also said, is focusing on, again, customer, but also treating, you know, for us as a content company, creator is key, but employees also the third prong of how to make all these work. And so treating our employees' journey and their experience with the company is definitely as much as what KC is saying, super resonating with me, is that it's also something that we need to do, to care for the people. Because as leader, we're kind of at the bottom of the pyramid, and then employee, and then customer. And I think kind of that inverted pyramid is also something that we spend a lot of time thinking about at the leadership level at Audible.

- I love that. I love that inverted pyramid. I think that's a really cool way of thinking about that. Couldn't agree more.

- Well, I think that's a great way to end actually, 'cause it's fascinating, obviously two very different companies, Audible and Accenture, but one thing that did stand out was whether it's, or sort of the need to just constantly be alert, you know, you both had sort of very similar experiences or these pieces of advice. So I think with that, I know we're coming up to our time. So I just wanted, thank you, KC. Thank you, Cynthia. Fantastic conversation. And, of course, thanks our audience. Thank you very much for listening.

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