TOGETHER MAKES BETTER

How to out-collaborate the crisis

Provocative thinking, transformative insights, tangible outcomes
Sustaining digital transformation through economic downturn

How can companies continue to digitize in times of sluggish demand and shaky supply chains? By focusing on cross-function collaboration. Here’s why.

The greatest lessons often emerge from the most devastating times of crises. One lesson from the COVID-19 pandemic: We need to come together to outmaneuver uncertainty.

Even in “normal” times, a lack of collaboration on complex challenges like digital transformation can cost organizations ROI and future revenue growth. In the time of COVID-19 and economic downturn? The age-old siloes problem could be disastrous.

In studying the issue, we have uncovered a group of companies that have solved the collaboration conundrum—that work across functional lines to innovate, stay relevant, and drive profitable growth. This report reveals what they do differently from the rest.
The COVID-19 crisis has brought our economy to a standstill. Everything seems stuck on pause—everything, that is, except digital.

Digital is not taking a pause. If anything, the crisis is speeding up digital transformation, forcing organizations and individuals further up the adoption curve and hastening a wider and deeper digitization of industry than we ever could have imagined just a few years ago.

Digital is now central to just about everything we do. From connecting with colleagues and loved ones through the web, to managing globalized supply chains in the cloud, to building a portfolio of software-enabled offerings, digital has become not just a tool we use to aid our life and work but humanity’s essential and irreplaceable one.

Using new technologies like industrial internet of things (IIoT), artificial intelligence (AI), robotics, 3D printing, and digital twins, some manufacturers have been able to rapidly shift to the production of medical supplies, such as surgical masks, hand sanitizer, and ventilators. This extraordinary achievement would not have been possible without the digital reinvention of industry.

But as we look toward a post-COVID-19, never normal future, we must also remember that organizational change is just as critical to success as embedding intelligence into products and factories.

While many things can get in the way of a successful tech transformation, our research tells us that “cross-function” competition is one of the biggest ones. Make no mistake: Creative tensions can be a good thing, but we’ve found that different business functions are competing, rather than collaborating, with each other to scale digital initiatives, and it’s costing companies.

Daunting as it may sound, some companies have cracked this code. In studying them, we’ve identified five attributes that enable organizational functions to work well together, learn from one another, and overcome the barriers to doing both. We call these leading companies the Champions, and we predict that they will be best-positioned to outmaneuver uncertainty in the near future.

This report explains what they do differently and sets you on a path to becoming one.
Finding new value by bringing business functions together
Global crises like the COVID-19 pandemic are so complex that they can only be tackled by teams from disparate domains. To solve them, people must be able to work together across disciplinary and organizational boundaries. Break down silos at all costs. Doctors working with government leaders, nurses working with supply-chain managers, infectious-disease experts working with CEOs of just about every industry. Silos be damned.

For their part, global businesses at the front line of the crisis have been able to collaborate well outside their organization, harnessing their ideas, people, and resources for the greater good of humanity. But what about inside the organization? Are business functions collaborating to address the most complex issues facing the company, irrespective of COVID-19, such as new competitive threats and digital transformation? Are they leveraging key technologies like cloud, data analytics, and AI to drive value?

Accenture’s Industry X.0 Research study shows that many established companies still struggle with cross-function collaboration. In a survey of more than 1,500 global senior and C-level executives of industrial companies conducted prior to the COVID-19 pandemic, 75 percent say different business functions (e.g., R&D, engineering, production, marketing, operations, and sales) are competing against each other instead of collaborating on digitization efforts.

Getting to the core of cross-function collaboration

If functions don’t collaborate, transformation efforts suffer. Seventy-five percent of the companies we surveyed are struggling with this very issue.
The silos problem continues to rear its head—but this time amid companies’ digital transformations. And it’s impacting both the bottom line and topline. Consider these findings from our study.

Even in “normal” times, the lack of cross-function collaboration costs organizations ROI and revenue growth. In the times in the COVID-19? Interfunctional competition—especially on matters concerning digital transformation—could be disastrous.
FOCUS ON VALUE
How to work seamlessly together for mutual gain
It’s cross-function competition versus collaboration

Though most executives recognize the importance of breaking down silos to help people collaborate across business units and functions, they’ve struggled to make it happen in practice.

That’s understandable: As companies grow, they tend to adopt more traditional structures, which leads to centralized functions and divisions. Over time, organizations respond according to their internal needs over those of the market, the customer, and even the larger organization. And silos spread, ultimately inhibiting collaboration and innovation. The trick is breaking them down. But this has proven devilishly difficult—even for the most successful global companies.

Yet for digital transformations, silos have served an essential strategic purpose. The ever-increasing speed of technological change and disruption creates a level of uncertainty that forces organizations to take bold bets, and learn through experiments, by starting small, scaling quickly and making mistakes in the process. With functional leads taking different digital bets and learning through different experiments, the company, in effect, diversifies risk among their silos. One bet made by R&D might be successful, while a bet made by Sales might not. But Sales learns from R&D’s success, and vice versa. In the end, the organization benefits in some way—precisely because CEOs didn’t try to micromanage the creative chaos.
How do you allow for enough experimentation, fragmentation, and interfunctional competition to reap the benefits of iterative innovation and experimentation?

But all this “creative chaos” strategy has a downside. When executives compete head-to-head on digital and allocate capital investment in digital technologies at the function level, there is no unifying principle of value creation. Functions define value as they see fit, even if that means that the firm may make inconsistent and redundant investments in digital technologies. The result: Functions create value for themselves rather than the company. Functions transform, but the company doesn’t. Some departments might win the cross-function competition, but the company might lose. The effect is that companies don’t get the most out of their digital investments and are ill-prepared to respond to opportunities—or threats. In these times, this can quickly become a liability.

So, for executives, the question becomes: how do you walk the line? How do you allow for enough experimentation, fragmentation, and cross-function competition to reap the benefits of iterative innovation and experimentation? And how do you reign it all back in and ensure the right amount of alignment, collaboration, and harmonization—so you can out-collaborate and out-maneuver the current crisis?
Maximize value by integrating your business functions
Collaborating for results

Champions outperform industry peers by driving revenues that are four times higher.

Armed with the finding that cross-function competition is hurting future growth and broader digital-transformation goals, we sought to identify the companies that have managed to crack this code. We aimed to understand who they are and how they break down functional silos to foster greater collaboration and innovation. We started by looking at companies that outperformed their industry peers at driving revenues with their digital investments and achieved above-industry average revenue growth over the last three years. (A full explanation of our methodology and the rigorous process can be found in the About the Research section.)

A small group of manufacturing and industrial companies emerged. Representing 22 percent of our sample, these Champions invested 1.5 times more (39 percent of their total revenue) than the rest in digitally transforming their functions. But they enjoyed revenue gains that were over four times higher—27 percent compared with 6.6 percent. (See Figure 1)
But with the Champions investing over a third of their revenues into digital projects, was their higher revenue growth profitable? We examined actual EBIT (earnings before interest and tax) numbers and found that Champions enjoyed 27 percent EBIT growth during the 2017-19 period, while the rest only achieved a 2.1 percent growth. (See Figure 2)

Clearly, the Champions were better off at driving profitable revenue with their digital investments. But that was before COVID-19. Would they be able to ride out the storm? We studied share-price movements for the companies in our survey and found that the markets are expecting the Champions to perform better during the crisis. (See Figure 3)

Above all else, these companies have figured out how to break down silos by leveraging the power of cloud-based platforms and sharing data, getting results in the process.

**Figure 2:** Putting on the Profitable Growth Spurt

Average year-on-year growth in EBIT (2017-2019)

**Figure 3:** Markets Bet on the Champions

Average daily share price index (base date January 1, 2020)

Average index point difference, Champions vs. Others, per month:

- February - 0.3
- March - 1.9
- April - 3.8
The secret of Champions

We’ve identified five key behaviors which set them apart from other companies. These Champions are more likely to emphasize:

1. **Clarity and a common goal.** They clarify “what” digital transformation means for the organization and why everyone should collaborate under a joint mission.

2. **Executive accountability.** They hold executives accountable for tight collaboration between business functions.

3. **Choosing the right bets.** Champions prioritize projects that require or stimulate close collaboration between functions.

4. **Platform interoperability.** They invest in and scale collaborative platforms while avoiding the build-up of “siloed” solutions.

5. **IT-OT convergence.** They establish rules for their Information and Operating Technology, and how the two work together.
For digital transformation, one key is ensuring that what’s won in one function isn’t squandered in other functions as a result of disparate definitions of value.

Champions make sure that each department builds in concert with, and on top of, the value created within others.

To overcome common collaboration challenges and to harmonize digitization efforts across functions, companies should focus on these five key actions that our Champions take.
Plan the work and work the plan:

Be specific, prescriptive, and clear about the vision and mission for your digital transformation.

It’s not enough to craft an overarching business strategy and list out desired outcomes. It’s crucial to plan a specific, multiphase digital transformation strategy—and disseminate widely to anyone and everyone involved. It’s also imperative to develop an execution plan for seeing through every step of the transformation. And how will you reach each of your objectives simultaneously across business functions?

Be sure to detail every aspect, from how you’ll introduce as-a-service offerings to how they’ll be sold and to whom to what you’ll do with legacy platforms.
Take, for instance, Caterpillar. Initially, Caterpillar delegated specific digital responsibilities to various internal groups. Tasks included overseeing equipment-management tools, “Cat Connect” technologies, customer-experience portals, and data analytics. Over time, these digitization-focused responsibilities were brought together in a new Caterpillar division, Cat Digital.¹

Next, the company’s C-level leaders got more deeply involved in the transformation process. With the CEO propelling collaborative change culture from the top down, the company was able to build core engineering and production systems around new digital technologies to spur new levels of efficiency.

Throughout the change program, Caterpillar ensured that physical machines and software systems were synchronized to create new opportunities for cost savings and increased revenue generation. This move freed up resources for additional digital investment and empowered different functional teams to work together.

So, what’s the connective tissue across all of Caterpillar’s transformation efforts? Collaboration—internally across all functions and with external technology partners. The company created roles across the entire organization and rolled out new internal business structures and units. It also launched a brand-new ecosystem of strategic alliances and external technology partnerships.

The proof of Caterpillar’s success is in the results. Caterpillar’s Earthmoving Division, can now complete road construction projects in half the time with their connected machines, while also cutting fuel consumption by over a third.² “It’s relatively easy to build individual digital solutions with no reuse in between,” Ogi Redzic, CAT’s CDO, told CNBC. “Going through digital transformation—where you create a single platform—that helps support the entire company is much more challenging.”³
Eighty-two percent of Champions have one C-suite executive who drives digital transformation and is responsible for its success in each function. If there is one leader in charge of digitizing operations, then that person should also be given the responsibility to affect the organizational changes required to get the most out of the company’s digital investments. Having the same person increases the chances of success.

But the person who “owns” the organization’s digital transformation process should also be given the authority to guide functional strategy. Thus, companies should review cross-function communication and workflows around the business and its functional strategies. Are there measures in place to ensure that every transformation project is checked against the broader business and digitization strategy—not only once, but also on a recurring basis? How can you ensure that function leaders and their teams communicate regularly to align on objectives, execution, and overall progress?

Find your key people and empower them:

Assign ownership and responsibility around cross-function collaboration.
The cross-function effort already helped to achieve a 15 percent increase in revenue and a 5 percent reduction in IT cost.

One way to answer these questions: build cross-function teams to work on cross-function projects. A North American technology company within our sample did precisely this with great success: The firm drives a centralized transformation effort aimed at reducing product development cycles. Since its inception, this effort already helped to achieve a 15 percent increase in revenue and a 5 percent reduction in IT cost.4

The program tackles digital transformation through four cross-functional “lenses”: the customer journey, the team members journey, the product group journey, and the journey of the product itself. The firm’s CDO, who is solely responsible for the program, leads a team that oversees all “lenses” and drives focus, accountability, and collaboration across all related functional operations.

These operations were built on new organizational structures and agile ways of working. Large-scale product development programs have been broken down into much smaller “product pipelines”: diverse but balanced teams of IT experts, designers, and product managers who regularly interact with customers have been made responsible for each pipeline.

The teams now create the products or features in their pipeline in “sprints,” then test them ahead of a release. Once a prototype passes the test, it is immediately moved into production. Next, a “business team” reviews the product and suggests iterations in real-time; the development team takes the suggestions and implements them almost immediately.

This fast-paced collaboration is enabled by a multi-cloud platform that unifies several tools for software development and management, and allows the teams to modify features and put them back into production on the fly.

As a result, time to release software has been reduced significantly from a couple of weeks to a few days or hours, with the aforementioned results.
Pick projects that bring people together:

Prioritize digital initiatives that stimulate cross-function collaboration.

Champions know where and how to allocate capital. They do it by prioritizing projects that require cross-function collaboration, before allocating funds and driving focused execution.
Take, for instance, Spanish shipbuilder Navantia and its innovative Shipyard 4.0 platform. Shipyard 4.0 uses digital twins, Big Data-based simulations and AI to help Navantia accelerate ship design and development, optimize the construction process, including meeting maximum safety standards, and develop new services across the operational lifetime of its vessels.

The Navantia Technology Center (NTC) brings together experts in engineering and design, production and maintenance, combining their skills towards building the platform. The engineers use physical-asset specifications provided by the production experts to create the digital replica/twin. They then leverage usage and maintenance data to model simulations into the digital twin.

In total, the project encompasses more than 1,000 engineers, 40 construction and engineering firms, 200 suppliers, four shipyards and all of Navantia’s business lines—all working together under common transformation goals.5

When leaders champion partnership and collaboration in all involved functions, companies can achieve digital transformation faster, smoother, and more efficiently.
Make sure solutions speak the same language:

Don’t compromise on interoperability.

Champions know how to harmonize different tech platforms in the cloud, ensuring that they work together seamlessly toward mutual outcomes. They are also more likely to have their digital platforms work and communicate well together.

In doing so, individual functions are empowered to collaborate virtually and to continuously access and exchange data-driven insights about their customers, market conditions and operations.

Take Covestro, a German specialty chemicals company. In 2017, the company launched its Optimized System Integration (OSI2020) platform to digitize production systems and unite both them and the data they contain within a single integrated, cloud-based platform.

The company developed a plan to replace its design and engineering applications with a plant and engineering platform solution which captured, managed and shared data about asset specifications and procedures. With this new cohesive system in place, Covestro’s plant facility engineering, operations and manufacturing functions are safer, more reliable and more efficient.
Meviy, the online platform launched by Japanese industrial equipment parts manufacturer MISUMI in 2016 is another great example. Meviy provides customers with high-value precision parts such as molds, equipment and devices used in product development and prototyping by employing a next-generation manufacturing platform. The fully automated platform seamlessly connects the Engineering, Purchase, and Manufacturing divisions.

Connecting these key functions through a single cohesive platform doesn’t just significantly eliminate design errors, it cuts manufacturing lead time down from nearly two weeks to as little as one day. How? The platform allows customers to upload 3D designs of desired components and uses a proprietary AI algorithm to assess the manufacturing feasibility of the component. From there, the platform provides an instant estimate of the component manufacturing cost and delivery time.

Next, the order, along with the product specifications, is automatically converted into manufacturing data and communicated to the factory machine tools for processing. By completely eliminating any manual intervention, the system ensures low component cost and fast delivery. So far, the service has handled more than 3 million components and catered to 40,000 customers worldwide, with a repeat order rate of 80 percent.8
Cross-function collaboration works best when teams are equipped with the technology and expertise to gather, deliver and analyze data in ways that unlock the best insights.

According to our research, Champions successfully create such an environment for collaboration by spelling out clear guidelines on how their Information Technology (IT) and Operating Technology (OT) teams should work together. They also favor multidisciplinary teams with the tech know-how to gather, deliver, and analyze data that yield high-value business insights.

Create rules for the road:

Build smart IT-OT governance policies from the get-go.
Consider Western Digital: Early in its digital transformation, the company established a data governance group across the two technology domains. Since then, this group focuses on identifying and, educating and guiding “data stewards”—employees who champion data quality and data sharing initiatives within and between their respective divisions. The group is also empowered to manage core platform decisions for the American computer data storage company, in every function, uniformly. This helps Western Digital leaders know how to best organize, secure and extract valuable insights from its entire data warehouse. At the same time, this approach fosters a company-wide spirit of data sharing and accountability that echoes through every business function.

Western Digital also built a shared and engaged change management culture. The goal was not only to improve IT-OT governance processes, but also to optimize all organizational systems and data in ways that help internal operations work faster and more effectively together.

When you put smart IT-OT policies in place at the start of your transformation and securely funnel in key data points from all functions in a unified way, you’ll unlock value like a Champion.
Cross-function collaboration is not an end state, or even a means to an end. It must be a central organizational imperative for companies in a post-COVID-19, never-normal world, and a strategic focus for executives tasked with sustaining digital transformation efforts. When executed effectively, greater collaboration across functional boundaries can not only reduce waste and costs, but also earn measurable financial returns.

As companies continue grappling with the adoption and implementation of digital technologies, or with hastening their digital transformations, they may easily lose sight of cross-function collaboration. But the Champions recognize it as fundamental to their business. Like efficiency and productivity, it is becoming an increasingly important barometer for success in difficult times.

Conclusion: If you want to go fast, go alone. If you want to go farther, go together.
ABOUT THE RESEARCH

In the months of January and February 2020, we surveyed 1,550 senior executives from companies spanning 14 different industries and spread across 11 countries with annual sales exceeding $1 billion.

In the survey, we asked executives to report their company names and the investments they had made towards digitally transforming key business functions. We also collected data on the impact these investments had on both costs and revenues.

We compared survey data on digital investment and its impact, with publicly reported financial information to ascertain loss of value due to interfunctional competition. We identified Champions as companies which satisfied two separate criteria:

i. They outperformed industry average in terms of cross-functional impact of digital transformation investments on revenue, for the period between 2017 and 2019, and

ii. their overall revenue growth for the three-year period was higher than their industry peers.
$500 million up to $1 billion, 7%
$30 billion up to $50 billion, 3%
$50 billion or more, 3%
$10 billion up to $10 billion, 76%

Would you like to know more?
If you’re interested in getting a custom view into our sample and findings, please reach out to aarohi.sen@accenture.com. He’ll help out with breakdowns, deep-dives or even benchmarkings of your company vs. our Champions.
Nigel is Accenture’s Industry X.0 global lead. With his focus on growing the practice, Nigel drives strategy development and business planning for all Industry X.0 programs, while supporting his leadership team with the execution of several large-scale change efforts around capability building, post-merger integrations, and partner ecosystem growth. A veteran strategy consultant and industry executive, Nigel spent 26 years working across a variety of industries from aerospace and defense to consumer electronics in three core roles: leading global operations and supply chain, building new business startups, and heading strategy, mergers and acquisitions.

Nigel graduated from Liverpool University with a Bachelor’s degree in Business Studies, with a focus on Operations and Supply Chain Management.

Raghav Narsalay leads the group that creates Accenture’s data models, key insights, and thought leadership for the Fourth Industrial Revolution and the shift to Industry X.0. A highly experienced researcher with a 25-year track record in creating new-to-market thought leadership, Raghav focuses on driving high-impact research programs for both Accenture and Accenture’s clients. His results have been published in the Harvard Business Review, Stanford Social Innovation Review, European Business Review and many other business and research publications around the world and have earned him several awards and nominations.

Raghav holds a Bachelor’s degree in Statistics and Master’s degree Economics from the University of Mumbai, as well as a European Masters in Law & Economics from Erasmus University.

Aarohi Sen works with Accenture’s Industry X.0 practice where he’s responsible for both the ideation and delivery of the group’s thought leadership research. In his role of thought leadership principal, Aarohi helps shape and drive Accenture’s Industry X.0 thought leadership agenda. With over 14 years of research experience, he is a key contributor to many of the group’s key ideas, models, insights and pieces around themes like digital reinvention, inclusive innovation, operational flexibility, the future of IT and skills development. Aarohi’s models help both Accenture and client teams make better, more prudent decisions; his writing has been published by business and academic periodicals like the Harvard Business Review, Fortune, and the European Business Review.

Aarohi holds a Bachelor of Business in Finance from the University of Delhi’s College of Business Studies.

nigel.stacey@accenture.com
Find Nigel on LinkedIn

raghav.narsalay@accenture.com
Find Raghav on LinkedIn

aarohi.sen@accenture.com
Find Aarohi on LinkedIn

TOGETHER MAKES BETTER: How to out-collaborate the crisis
Acknowledgements

Contributors
The authors would like to thank their fellow Accenture leaders Tracey Countryman, Ram Ramalingam, Jack Ramsay and Sef Tuma. This report could not have come together without their valuable insights and thought leadership on Industry X.0.

Project Team

The authors would also like to thank Paul Barbagallo and David Light of Accenture Research for their significant writing contributions and editorial guidance on this report.

References


4. Accenture Client Conversations


8. Accenture Research and Company Interviews

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 509,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

About Accenture Research

Accenture Research shapes trends and creates data driven insights about the most pressing issues global organizations face. Combining the power of innovative research techniques with a deep understanding of our clients’ industries, our team of 300 researchers and analysts spans 20 countries and publishes hundreds of reports, articles and points of view every year. Our thought-provoking research—supported by proprietary data and partnerships with leading organizations, such as MIT and Harvard—guides our innovations and allows us to transform theories and fresh ideas into real-world solutions for our clients. For more information, visit www.accenture.com/research.

Copyright © 2020 Accenture.
All rights reserved.
Accenture, its logo, and New Applied Now are trademarks of Accenture.