WHERE WISDOM MEETS COURAGE

Making your Wise Pivot from legacy to future.
ABOUT THE AUTHORS

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Vedrana has wide-ranging experience in strategy and management consulting and in financial services. She is a thought leader focused on innovation strategy, value creation in the digital age and corporate reinvention.

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Gianfranco is responsible for managing Accenture’s business in Asia Pacific, South Africa, the Middle East and Latin America. In this role he works to formulate and execute long-term strategies to ensure clients are well-positioned for continued success.

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Adam leads Intelligent Software Engineering Services. In this role he guides the business strategy and manages the operations of 35,000 software and system engineers in practice areas such as custom software engineering and DevOps.
The famous designer Professor Jimmy Choo, OBE¹, made his first pair of shoes in Penang, Malaysia, when he was just 11 years old.

In 1986, he opened his couture boutique in England, where he produced about 50 pairs of made-to-order handcrafted shoes each week for private clients.

A decade later, he co-founded an international luxury ready-to-wear brand. In 21 years, a small operation was transformed into a global brand that sold for $1.2 billion in 2017.

The founder himself parted ways with his brand much earlier, in 2001, when he decided to go back to making hand-crafted shoes. His is the story of a remarkable personal pivot powered by inspiration and the courage to be original. He invested his proceeds into a business close to his heart while allowing his namesake enterprise to flourish.

¹ Professor Jimmy Choo, OBE, was appointed adjunct professor and global ambassador at Curtin University in 2016. He was conferred an Honorary Doctor of Arts (Design) from The Monfort University, Leicester in 2004 and he was conferred the title of Visiting Professor by the London Institute (now University of the Arts of London) in 2001 for his long and continuous contribution to the fashion industry.
LOOK BACK TO THE FUTURE

Knowing when to make new, big bets and when to enhance your legacy business is not easy.

Making the right decision often requires years of experience and the application of lessons from failures as much as from successes.

We believe it takes wisdom to know when to commit to new opportunities (and persist to achieve scale), when to adjust the pace (to avoid overstretched yourself financially) and when to take corrective actions (to modernize your legacy business). Our research shows that leading companies’ embrace the future more decisively than others but without necessarily abandoning their legacy. We call this approach to change the Wise Pivot.

Across Asia-Pacific, 61% of companies expect to make a decisive shift to new businesses (Figure 1), according to Accenture’s survey of 490 C-level executives. We define “new” as business activities, investments and ventures into previously unexplored markets and offerings where the company has not participated at scale.

1 Leading companies are defined as those that outperform others in terms of sales and EBITD growth. Across 490 companies we sampled in the Asia-Pacific region, only 7% had embraced new-business activities aggressively, and they also had self-reported double-digit growth in sales and EBITD in the past three years.

FIGURE 1
What proportion of revenues do you expect your company to be generating from NEW business activities three years from now? (% of respondents)

61% 50% 37% 35% 29% 22% 15% 13% 10% 39%

New business activities contribution

61% 50% 37% 35% 29% 22% 15% 13% 10% 39%

Source: Accenture wise pivot survey

1 “Asia-Pacific” includes 490 respondents from Australia, Greater China, Japan, India and Singapore.

2 “Others” includes 950 respondents from Brazil, Canada, France, Germany, United Kingdom and United States.

‘The Wise Pivot’

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WISDOM, MEET COURAGE

Pivoting wisely is about having the courage to reinvent yourself, on your own terms.

Consider Haier Group, the global powerhouse of consumer electronics and home appliances: the company is busy reinventing itself again, this time as a software-driven leader in the fast-growing internet of things (IoT). It is harvesting information collected from the appliances it sells—data that Haier believes will become more valuable than the devices themselves.

Zhang Ruimin, chairman and CEO of the Haier Group, recognizes that “No matter the size of the company, you need to challenge yourself every day and persist in triumphing over yourself.” Haier has demonstrated courage through bold investments (e.g., international expansion through the acquisition of the GE home appliance business Sanyo in Japan, and Fisher & Paykel Appliances in New Zealand), as well as by deploying its innovation and talent in a disruptive fashion.

Haier’s philosophy is that to create value for the company, you need to create value for the customer first. According to Ruimin, “Innovation is about how to use new ways to create value for the user.” To this end, the company is focusing on complete flexibility by reorganizing the workforce into hundreds of small business units, or “microenterprises,” that operate like entrepreneurial startups. It’s a radical shift from siloed departments.

The model of microenterprises is unique in that it “places the value of the individual first and allows the individual’s potential to be fully unleashed.” These microenterprise teams have been empowered to make their own business decisions: They can make hiring and compensation decisions and also allocate their own resources.
GETTING UP TO SPEED

Despite high ambitions, the reality is that a shift to new businesses is painfully slow for most companies—in Asia-Pacific as well as in other markets across the globe (Figure 2).

At present, most companies remain tightly tied to their legacy businesses (e.g., 63% of companies in Asia-Pacific generate less than half of their revenue from new business activities today).

In the Asia-Pacific region, what is holding companies back from embracing new businesses? Our research suggests there are three key reasons: investment constraints, innovation constraints and synergy constraints.

Source: Accenture wise pivot survey
“Asia-Pacific” includes 490 respondents from Australia, Greater China, Japan, India and Singapore; “Others” includes 950 respondents from Brazil, Canada, France, Germany, United Kingdom and United States.
INVESTMENT CONSTRAINTS:

Many C-level executives in Asia-Pacific report a lack of investment capacity to pivot.

Notably, only half of executives we surveyed claim to have sufficient investment capacity to scale new businesses (Figure 3).

Even fewer executives (40%) report that their companies have enough investment capacity to pursue growth activities in their existing businesses.

FIGURE 3
Do you think that your company has the right level of investment capacity required to pursue the following change activities? (% of respondents saying “definitely sufficient” on a scale 1-4)

Source: Accenture wise pivot survey

“Asia-Pacific” includes 490 respondents from Australia, Greater China, Japan, India and Singapore.

“Others” includes 950 respondents from Brazil, Canada, France, Germany, United Kingdom and United States.
Consider the Changi Airport Group (CAG), which over the past three decades has successfully established Changi Airport in Singapore as the world’s most awarded airport.

It has ambitious growth plans for the next decade, including increasing the airport’s capacity to 150 million passengers a year, up from 82 million. According to Liew Mun Leong, CAG’s chairman, planning ahead has always been part of the CAG modus operandi. Its strategy, “supply drives demand,” means that infrastructure has to be planned and built ahead of capacity demands. The construction of a new passenger terminal, Terminal 5, is expected to begin in 2020, involving about 20,000 workers when construction peaks and requiring significant investments. In 2030, when the project is expected to be complete, Changi Airport will have almost doubled in size. Given the magnitude and complexity of the project, T5 is designed to be built in scalable modules and constructed in phases. “This is a practical approach to avoid over-investment and being caught wrong-footed, should our projections turn awry,” said Transport Minister Khaw Boon Wan.

Scaling new businesses poses a different dilemma, especially when a new technology is needed but is outside of a company’s core competencies. In this case, it is wise to find the right business partner or industry ally. One example is the recently announced Toyota and Panasonic plan to set up a joint venture that will focus on the mass production of batteries for electric vehicles, aiming to bring down production costs through higher volume. This strategic tie-up is expected to aid Toyota in accelerating annual sales of electric vehicles to 5.5 million by 2030, while Panasonic hopes to save on investment costs and reach a broader network of customers.

Leading companies invest wisely: They are ambitious, but they are laser-focused on achieving success in the long term, not headlines in the short term.

WHAT IS SUCCESSFUL INNOVATION?

This question has sparked countless business books, media articles and speaking tours. We think it boils down to this: Innovation is about applied creativity and, critically, having the courage to disrupt your business in the process.
INNOVATION CONSTRAINTS:

The conventional wisdom is that Asia-Pacific has a different innovation model from the rest of the world. But the trend we uncovered there actually does not differ substantially from what we’ve seen with companies in other regions.

Over 60% of C-level executives in Asia-Pacific recognize that their companies have pockets of successful innovation, but that innovation is not pervasive throughout the organization (Figure 4). And only 21% acknowledge that innovation is used strategically to unlock value in their legacy businesses. This suggests that a large majority of companies across Asia-Pacific are missing the opportunity to extend the longevity of their legacy businesses through innovation.

Leading companies bring emerging technologies into their legacy businesses to challenge and redefine the old ways of operating. For instance, Cathay Pacific, the flag airline carrier of Hong Kong, is harnessing blockchain technology to transform its rewards program (Asia Miles), enhancing user experience and business efficiency. This first application of the smart blockchain technology in a marketing campaign allows Asia Miles, partners and members a near-real-time ability to manage rewards. Speaking on the development, Cathay Pacific General Manager IT Solutions, Lawrence Fong, said: “Cathay Pacific is committed to benefiting customers through innovation and technology. As a start, we are very excited by the first offering resulting from our co-operation – the marketing campaign launched by Asia Miles which we expect to be well received.”

FIGURE 4
Which of the following best describes the use of innovation in your company? (% of respondents)

<table>
<thead>
<tr>
<th>Asia-Pacific</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pervasive use of innovation</td>
<td>38%</td>
</tr>
<tr>
<td>Selective use of innovation</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Accenture wise pivot survey

“Asia-Pacific” includes 490 respondents from Australia, Greater China, Japan, India and Singapore; “Others” includes 850 respondents from Brazil, Canada, France, Germany, United Kingdom and United States.
SYNERGY CONSTRAINTS:

When preparing to scale new businesses, decision makers often miss the opportunity to clearly define potential synergies with the legacy businesses.

Notably, less than one-third of C-level executives in Asia-Pacific say that potential to cross-sell between the new and legacy businesses is taken into consideration (Figure 5).

It is conceivable that some executives are cautious out of a fear of cannibalizing the legacy businesses. Leading companies, on the other hand, know how to turn an existential threat to their legacy businesses into an opportunity for true reinvention.

FIGURE 5
How important are each of the following to your company’s decisions to scale new businesses (% of respondents saying “critically important” on a scale of 1-4).

![Bar chart showing importance of factors for decision making]

- **Having the potential of the NEW businesses to reshape the culture of the legacy business**
  - Asia-Pacific: 31%
  - Others: 29%

- **Having the potential for the cross-sell between the NEW and the legacy businesses**
  - Asia-Pacific: 26%
  - Others: 33%

Source: Accenture wise pivot survey

“Asia-Pacific” includes 490 respondents from Australia, Greater China, Japan, India and Singapore;

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The digital revolution in photography has not only dramatically changed the way we take and share photos, but has also dictated the fate of two film manufacturers.

Despite patenting the first digital camera in 1978, Kodak had to file for Chapter 11 bankruptcy in 2012. Fujifilm, on the other hand, was able to survive by diversifying their product portfolio. How? By leveraging their photographic film technology to expand into new businesses.

The rise of digital cameras deeply hurt Fujifilm’s core asset—film for photography and X-rays. When the first wave of digitalization arrived in the 1980s, Chairman and CEO Shigetaka Komori said the company decided not to reject digital technologies although he called it cannibalism and acknowledged the company would eat into its own analogue division.

When sales from film developing and printing were dwindling in the early 2000s, the company went one step further than simply shifting to digital photography. It invested in its in-house expertise, bringing various technologies from the photographic business (such as those on collagen and nanoparticle formulation) to new areas such as cosmetics and medical imaging. For instance, in its cosmetics business (which started in 2006), the firm used proprietary nanotechnology to boost the permeability of certain materials, resulting in the creation of the skincare line ‘ASTALIFT’.

The reinvention was not easy; some of the resource allocation decisions were even considered “damaging” to the firm’s short-term profitability, in the words of Komori, but the bet paid off. “We have more ‘pockets’ and ‘drawers’ in our company,” he explains—a metaphor for hidden gems that have the potential to bring in new revenue.
PUTTING WISDOM TO WORK

Asia’s moment to occupy the center of the global economic stage is at hand.

Business leaders steering companies in this part of the world cannot afford to be timid. It’s not the time to hold on to the past. Business leaders must instead look to the future with energy and optimism, and with the courage not only to find, but ultimately to scale, new business opportunities. To succeed, they need to think differently about how they allocate their resources.

What’s the Wise Pivot strategy for your company?
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 469,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

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