



FORTUNE'S ALAN MURRAY TALKS TO JACK AZAGURY

VIDEO TRANSCRIPT

I'm Alan Murray, the CEO of Fortune Media. I'm here today with Jack Azagury, who is the CEO of Accenture Strategy [Strategy & Consulting]. Jack, welcome.

Thanks. It's good to be with you.

Good to see you. We're here in Davos, Switzerland, at the World Economic Forum. We've got the mountains right outside the window here. And Jack, I think every CEO I've talked to in the last two days has focused on two topics. One is a short-term concern about the economy. A recession seems to be coming, but the other, which is almost the greater concern, is the need to transform their companies. The sense that disruption is coming either because of technology, AI, because of the need to retool for sustainability, climate change, energy transition. The need to retool supply chains for geopolitical reasons. I've never felt quite such a sense of the need to transform. And I know you've done a lot of research on that lately. I'd love to hear what you're finding.

So, two things. The first thing is, despite all the concern, in our research 75% of executives want to spend more time and effort on reinvention and digital transformation. So, with all the concerns, with all the fears, the focus on transforming is top of the list. The second thing is, we just published our research today, and we identified a small group of companies: 8% of our sample, 1500 executives. Eight percent identify as Reinventors.

These are companies that want to set a new performance frontier and have started to set the new performance frontier through the use, as you said, of technology and AI—what we call the digital core—and new ways of working. So, we see this as the next wave, this reinvention, where you set a new performance frontier, really redefine your company and the industry through the use of technology.

So go a little deeper on that. What does it mean to have a total reinvention of your company?

We've identified six characteristics. I'll touch on a few. The first one is that reinvention is a strategy. It's not the how, it's the what. So, the C-suite is committed to reinvention as a strategy. The second thing I'll talk about is companies look at this—the Reinventors look at this—as a continuous process. It's not this “we transform every year and every three years you mobilize the transformation team and learn how to do it again”. It's part of your DNA. You're consistently and continuously looking to transform. And then the third thing that I'll outline is the digital core is now part of your core competency. It's no longer just important. It's core to how you run your business.

And why is there such a gap if most of the CEOs I'm talking to and you're talking to understand that they have to transform their company? Why are only 8% of them in the reinventing category?



So we view this as an emerging trend and we think we're at the early [wave]. So, we went through a wave of digital transformation, through COVID. Through COVID, most companies realize technology is critical. We now have the next wave of transformation.

And just to stick with that for a second, I mean, the COVID transformation, a lot of it was, hey, everybody's going home and we got to make sure they can do their work. It was a clear focus.

It was a necessity. So, before COVID, you know, is technology that important, is it really critical? Through COVID, that debate was over. Now we've got the next wave, and we see this as the next three years. And so the fact that it's only 10%—because we're early in this wave—and this is hard to do. But we believe putting technology is a core competency and making this your transformation, your actual strategy—as opposed to how, this is the what—now.

And it's not something that exists over here to the side. So, it really has to come from the top. CEO has to adopt it and embrace it and embed it.

Exactly. One of the things that's interesting, one of the other characteristics is a lot of companies, when they transform, they look at benchmarks. We look at benchmarks and say, okay, where's the top quartile? I want to get there. And in reinvention, we say benchmarks are the enemy of the possible. Now, benchmarks can still be useful to see where your competition is. But these Reinventors go beyond the benchmarks and look at defining a new frontier or a new performance frontier. And that's one of the key characteristics. The Reinventors are going beyond where the competition is.

Is part of the challenge here that you don't really know where you're going to end up? You can't identify the endpoint, and so, it's harder to figure out how you get there.

Well, part of the issue is technology has changed so fast, right, that the possibilities that technology offers today, even versus three years ago, have changed radically. You can transform every part of your value chain today. You couldn't five years ago. The advancement in AI, the talk about GPT is everywhere. GPT three. So, understanding what technology can do is a critical skill. And that requires—these Reinventors have technology acumen in the C-suite—so that they can envisage where technology can take them, and they have technology acumen through the ranks of the organization. So, the employees can identify, bottom up, and then absorb the technology and use it.

Yeah. So, if you're not in the reinvention category, but you want to be, what are the first steps? It sounds like getting that technology knowledge into the C-suite is pretty important.

Yeah, so we identified three categories of companies. The Reinventors, as we talked about, that 8%. Then 85% are Transformers. These are companies that are using technology. They're often doing transformation in silos, whereas the Reinventors are looking across the boundaries and connecting the enterprise. And half of the Transformers. And also, they're already saying “we want to do some of these things that Reinventors are doing”. They're doing some of them, but they're looking to become Reinventors. And then we've got a category, another 7-8% that are Optimizers. Technology is not a core part of how they transform, you know, more incremental change. And we believe that's a challenging position.

That's the way technology has traditionally been viewed. But we're in a different era.

We're in a different era. COVID changed everything.

Can you give a couple of examples of companies that are doing it right, and doing it well, and how they got there?



Yeah, let me touch on a few, and I'm going to touch one that we don't hear a lot about in North America or here in Europe is Siam Commercial Bank in Thailand. So, Siam is the oldest bank in Thailand, established in 1906, and they've now put technology at the core of the enterprise. Full technology DNA to become a true fintech organization. They started their reinvention; they increased their online usage by 500% in a very short period of time. In 2022, they were voted best bank in Asia and best bank in Thailand. And the CEO has declared that technology DNA will be part of the DNA of the enterprise and transform every part of it. They're now moving from banking to a super app with other services, and we've been fortunate to be part of the journey with Siam Commercial Bank. That's a great example of a company that has totally reinvented themselves and put technology at the core of what they do.

Do you have any other examples?

We see in the Lifesciences space, Roche a great example. They're moving towards using data and AI to personalize patient treatment. We already saw dramatic improvements in their oncology treatment. They're replacing their digital core, their core systems in a short period of time. So that's another great example of a company that is putting technology really at the core of that business.

So, Jack, as I said at the outset, I honestly believe a lot of CEOs get this. They know they need to reinvent. There was a poll of CEOs that came out here in Davos recently that said 40% of them realize that they won't exist in a decade if they don't do things differently. So, they get it. Yeah, but as you said, it's hard. What's your advice to companies on how to get started down this road? What are the most important things you need to do?

I think there are a few things. First, the C-suite has to be aligned around a strategy. Are they ready to reinvent? Is the C-suite aligned, you have to have C-suite alignment. This is not one member of the C-suite or two deciding to do it in their department. The second thing is you've got to be committed to technology as a core competency and you need to understand what shape your digital core is in. And by digital core I mean your cloud, your data, your AI, your core systems of records, your security. Do you understand in what shape it is, how flexible, how interoperable and do you have the capacity in the digital core to really move at speed. And then focus on the talent, the technology acumen. I mean, at Accenture, we rolled out this technology quotient, TQ. Every one of our employees, all 720,000 of us have to take TQ. We saw that another company, an oil and gas company, they rolled it out and gamified it—from the CEO all the way down, to get that technology acumen embedded. I would start with those three, those three topics to really get started.

Jack, I have to ask you a question that I know you get asked from time to time, which is, "hey, wait a minute, you know, you're just trying to scare me that big things are happening here. So, I buy a bunch of your consulting services". How do you answer that question? how do you convince people that this is not just an attempt to get them to buy a bunch of services, that this is really where the future is going?



Yeah, I mean, the results in the research are pretty clear. So, these Reinventors, they drive 10% more revenue growth and 13% better cost posture than the Transformers. They get there in the first six months, 22% more results. And so, they're also moving faster. And the other thing that was particularly important, that I saw particularly poignant for me, is much more than the Transformers, they focus on what we call 360 value. Not just the financials, but they perform better on sustainability, better on their people metrics, better on engagement of their customers, better on diversity. And they look at the full range of value components, not just the dollars and cents and meeting the next earnings and so on. And that to me was very compelling, because we really believe a company has to look at a holistic set of stakeholder benefits—not just the dollars and cents.

Yeah, well put. And you have to look at all these transformations going on at the same time. Jack Azagury, fascinating. Thank you for taking time to talk.

Thanks for the time, Alan.

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