

Total Enterprise Reinvention

Thriving amid disruption in South Africa

Table of contents

05	South Africa: Opportunities amid disruption	21	Charting a path to becoming a Reinventor
10	When digital transformation disappoints	22	Authors
14	The need of the hour: Total Enterprise Reinvention	23	About the research
18	The six characteristics of Total Enterprise Reinvention		

Executive summary

Disruption is on the rise globally and has nearly doubled since 2018 in South Africa.

Our survey of C-suite executives from large companies across the country showed that many are responding by hastening their digital transformation efforts, investing in cloud, connectivity and cybersecurity among other technologies.

Yet few companies are seeing the fruit of their investments. There is a widening gap between technology spending and business growth, hinting at a diminishing return on investment. Companies are finding their transformation journeys hindered by a piecemeal approach, a reliance on legacy systems and a lack of cultural readiness for change.

Our research highlights a handful of companies — termed “Reinventors” — that have managed to close the value gap between IT spending and revenue growth. These Reinventors embrace what we call

Total Enterprise Reinvention, a deliberate strategy that aims to set a new performance frontier for companies and in most cases, the industries in which they operate.

In doing so, these companies improved their financial performance and also gained the ability to achieve breakthrough innovation, increased resilience in the face of any disruption and an enhanced ability to create value for all stakeholders. Read on to understand how other companies in South Africa can become Reinventors too.

South Africa: Opportunities amid disruption



Strategically located on the southern tip of the African continent providing easy access to both East and West, South Africa is a country alive with possibilities, a vibrant emblem of the economic promise for the African Continent.

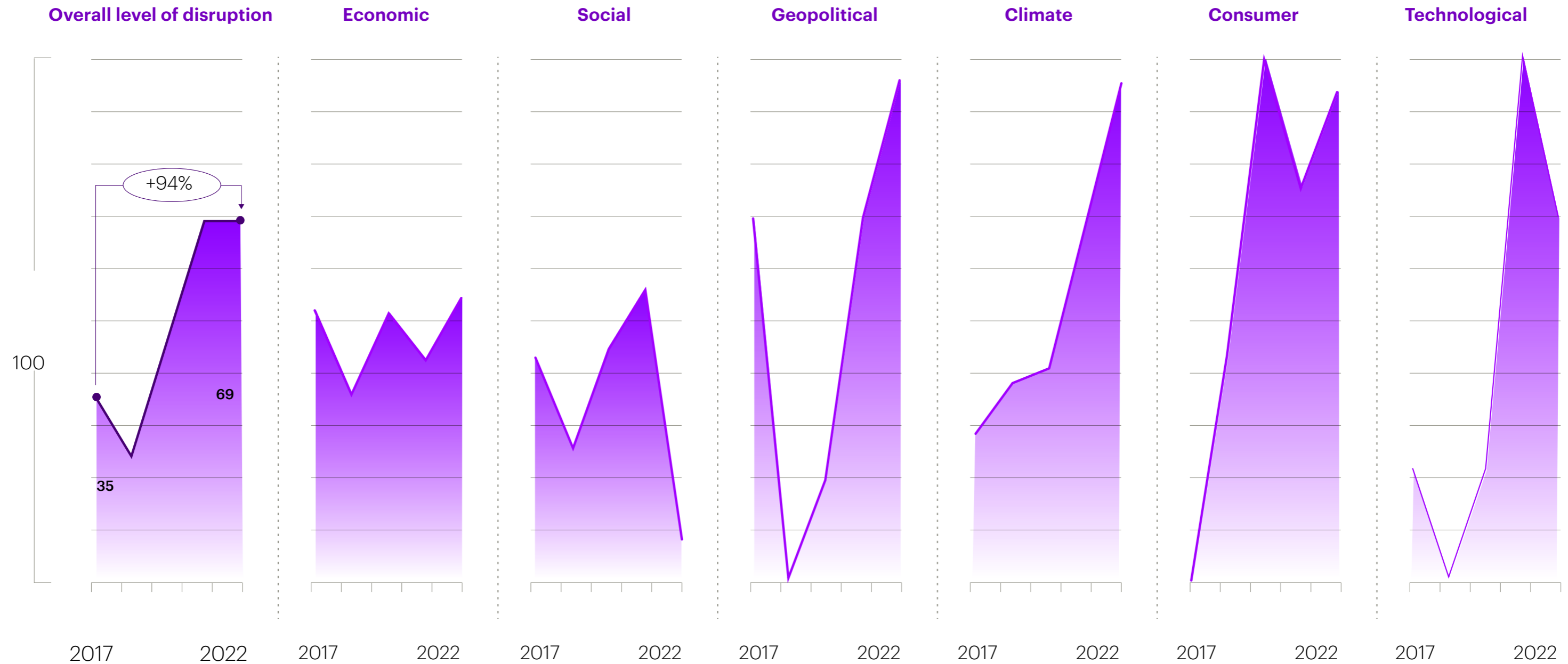
Take the country's thriving information and communications technology (ICT) sector, for example. Over the past five years, South Africa has attracted around R200 billion (~US\$10.4 billion) in commitments from major industry players to bolster their telecommunications infrastructure. Furthermore, companies including Amazon Web Services, Teraco and Dimension Data have collectively pledged R21 billion (~US\$1.2 billion) in investments, with Amazon Web Services intending to increase its commitment by an additional R30 billion (~US\$1.6 billion) over the next six years.¹

Similarly, South Africa's e-commerce sector is experiencing exponential growth. Projections indicate a 300% surge from 2022, with e-commerce spend reaching up to R225 billion (~US\$12 billion) by 2025.² The rollout of fibre-optic cables and technologies like 5G, cloud and edge computing are expected to stimulate economic recovery and also foster social equality and create jobs.


At the same time, South Africa grapples with issues including elevated inflation and persistently high unemployment, as do many other developing nations. In particular, load shedding has had a profound impact on overall stability of the South African economy. The energy crisis has exacted a staggering toll on the economy, with spend close to R1.2 trillion (~US\$64 billion) required to meet the demand.³ On a broader geopolitical scale, the threat of recession and escalating geopolitical tensions loom, further complicating the economic landscape.

The scale of these trends and their impact on business is profound. In fact, the Accenture Disruption Index — which is an overall measure of disruption to assess the level of volatility and change in the external business environment (see About the research for further details) — indicates that disruption has nearly doubled in South Africa between the years 2018 to 2022 (**Figure 1**).

Figure 1: Extreme levels of disruption have tested the resilience of organisations across South Africa.



Overall measure of disruption based on average of six sub-components, each of which is based on indexed scores of a set of indicators.



Amid this disruption, business leaders are under pressure to act — and quickly.

Our survey of 50 C-suite executives of large companies in South Africa shows that many are rising to the occasion, committing to change across the entire enterprise. The challenges are varied, with the top concerns ranging from an accelerated pace of technological change, high energy prices, shifting consumer preferences and inflationary pressures

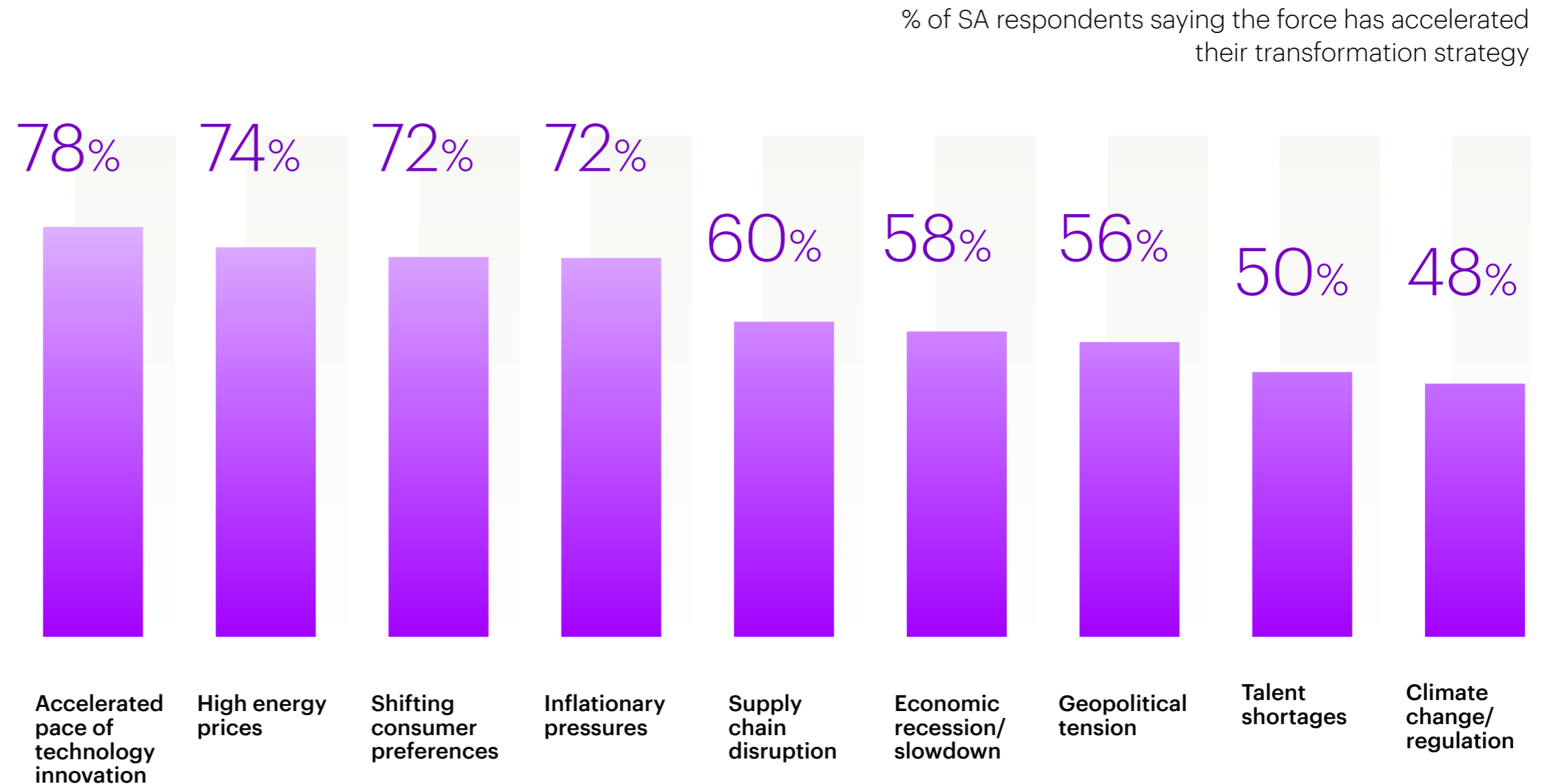
(Figure 2). However, for many, the solution for them is digital transformation. In fact, 74% of South African companies have said they are adopting an enterprise-wide strategy to digitally transform their business and 84% said they would accelerate their transformation strategies even if there is a recession.⁴



Figure 2:

Disruptive forces are accelerating transformation.

“To what extent have the following disruptive external forces accelerated your organisation’s transformation efforts?”



Source: Accenture Total Enterprise Reinvention CxO Survey for South Africa (n = 50)

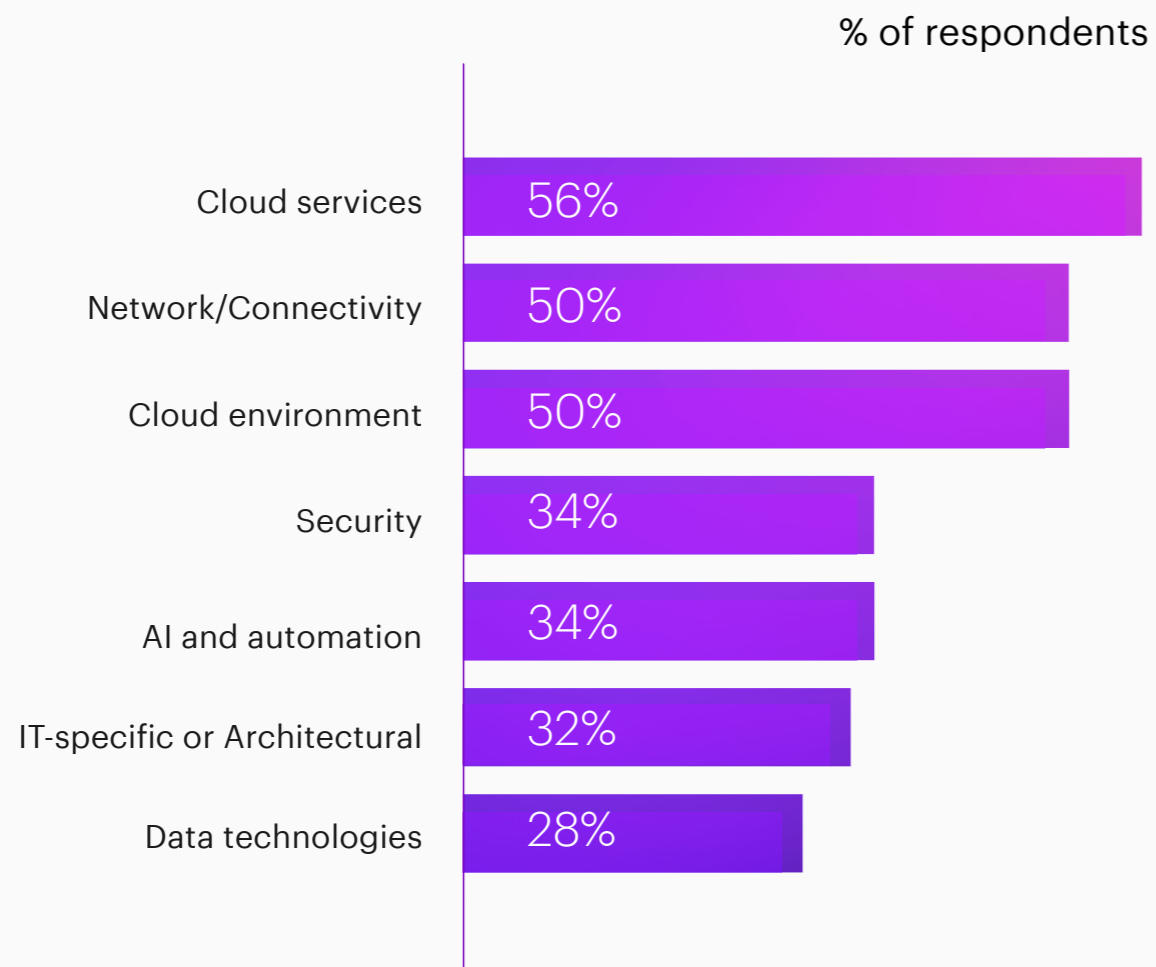
When digital transformation disappoints

With its promise of improving operational efficiency, lowering cost and improving engagement with customers and employees alike, it is no wonder that companies have turned to digital transformation. The majority (92%) of South African CxO's recognise the pivotal role of technology in their transformation initiatives⁴, leading them to consider making substantial investments in technologies such as cloud services, connectivity and cybersecurity in the coming year. Emerging technologies like next-gen intelligence and computation also feature prominently on their investment agenda **(Figure 3)**.

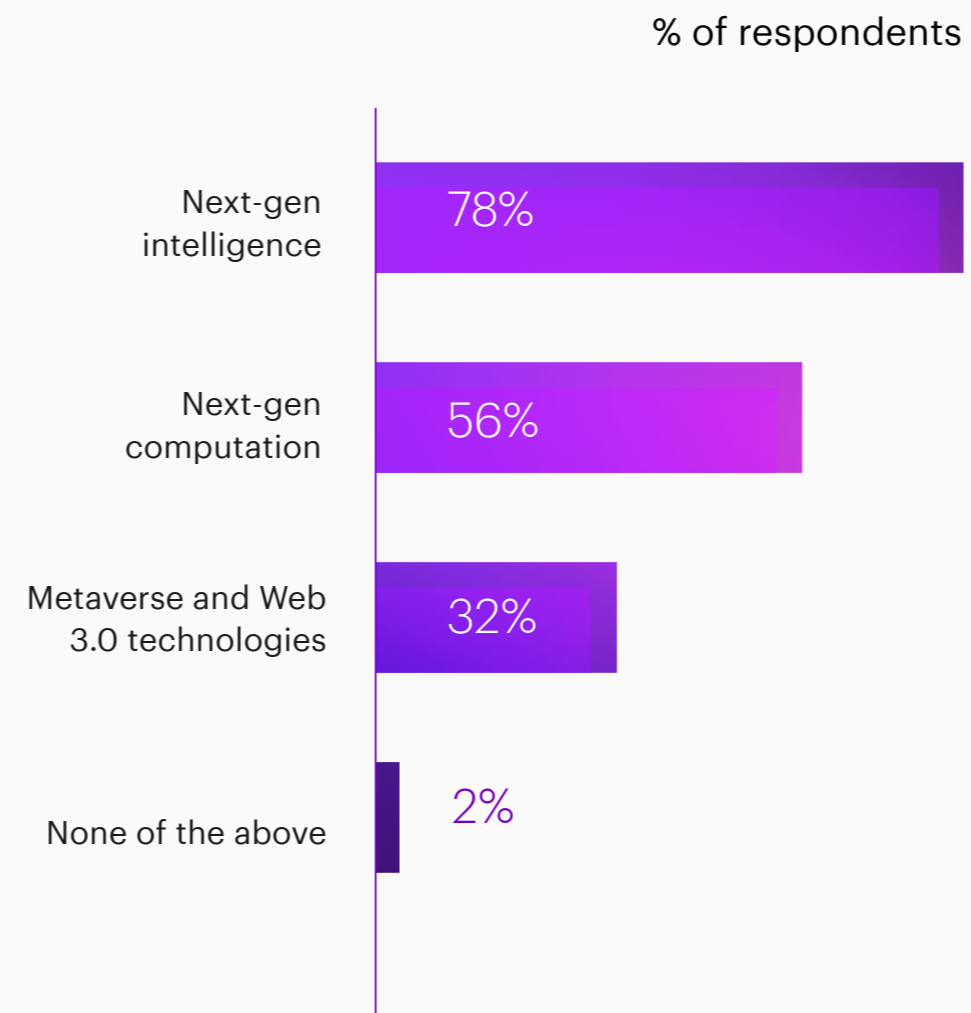


Figure 3: Disruption has driven companies to invest in digital transformation technologies.

“Do you plan to increase your investment in the following technologies over the next year?”



“Which of the following emerging technologies are you currently monitoring and screening?”



Despite these considerable investments, many companies are dissatisfied with the outcomes of their transformation efforts.

In fact, only 20% of South African companies have achieved notable success in their transformation programmes.⁴

For instance, a retail giant reported substantial financial setbacks due to an unsuccessful enterprise resource planning (ERP) system launch in 2022. Similarly, ERP upgrade glitches resulted in a loss of approximately R786 million (~US\$42 million) in wholesale turnover at a multinational retailer, contributing to an 18% profit decline.

Source: Accenture Total Enterprise Reinvention CxO Survey for South Africa (n = 50)



Why have so many digital transformation initiatives failed to deliver the desired results?

South African CxOs told us that the top barrier to successful digital transformation is organisational siloes and a lack of alignment across the leadership team. This is followed closely by a reliance on legacy systems that best enable them to maintain status quo rather than innovate new solutions. Finally, about half identified the lack of cultural readiness for change as a significant barrier hindering their transformation efforts.

The outcome is worrying. Despite significant investment, there is a steadily widening gap between technology spending and business growth. While IT spending growth in 2022 increased 50% relative to 2017 levels, revenue growth has fallen 10% over the same time period, suggesting diminishing returns **(Figure 4)**.

Barriers to transformation

66%

of CxOs say that **functional / departmental siloes and misalignment across the executive team** are the biggest barriers to digital transformation.

60%

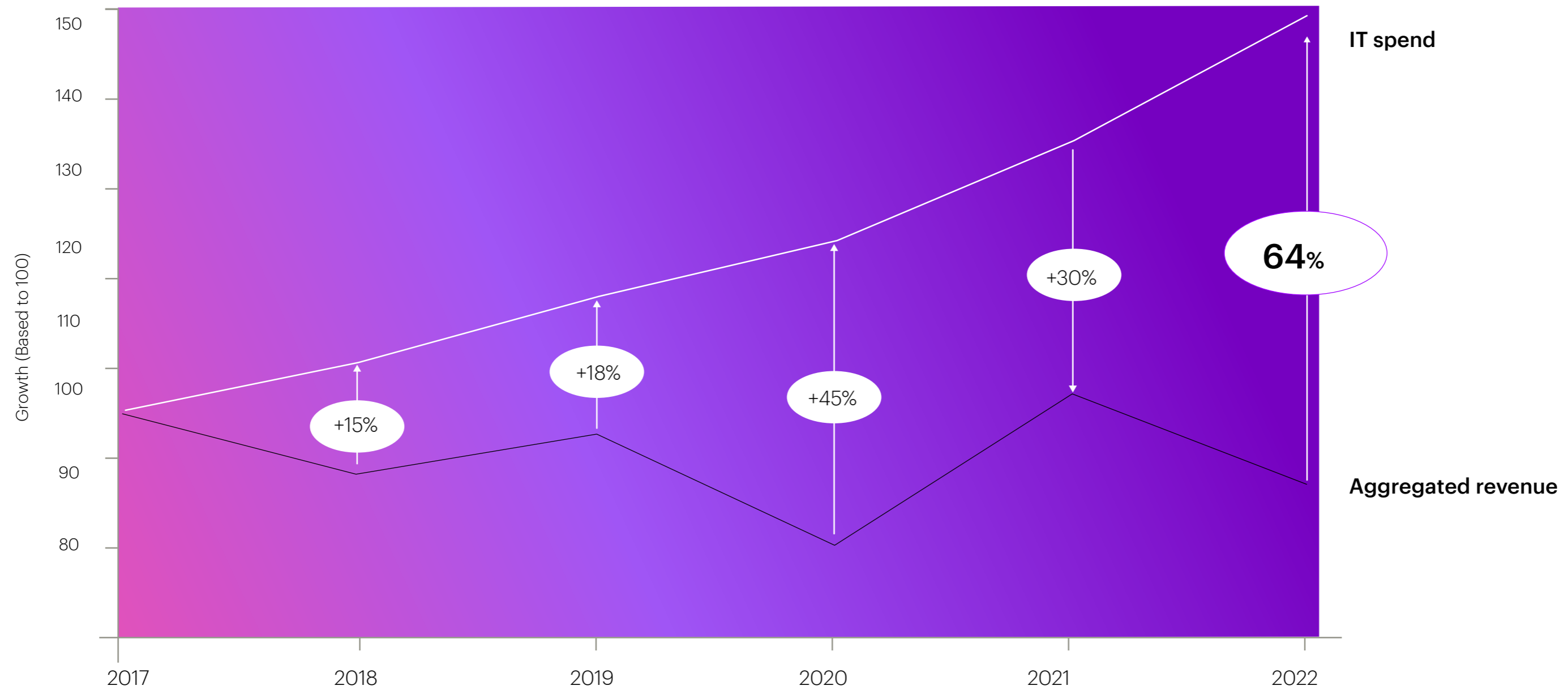
of companies still have **traditional ERP software providers at the centre of their strategy** and building other services/providers around this software – rather than business or technology partners to build innovative solutions and platforms.

52%

CxOs rank the **lack of cultural readiness to change and skills required in the executive teams to deliver** as barriers to their transformation programme.

Figure 4: Business growth has not kept up with technology spending.

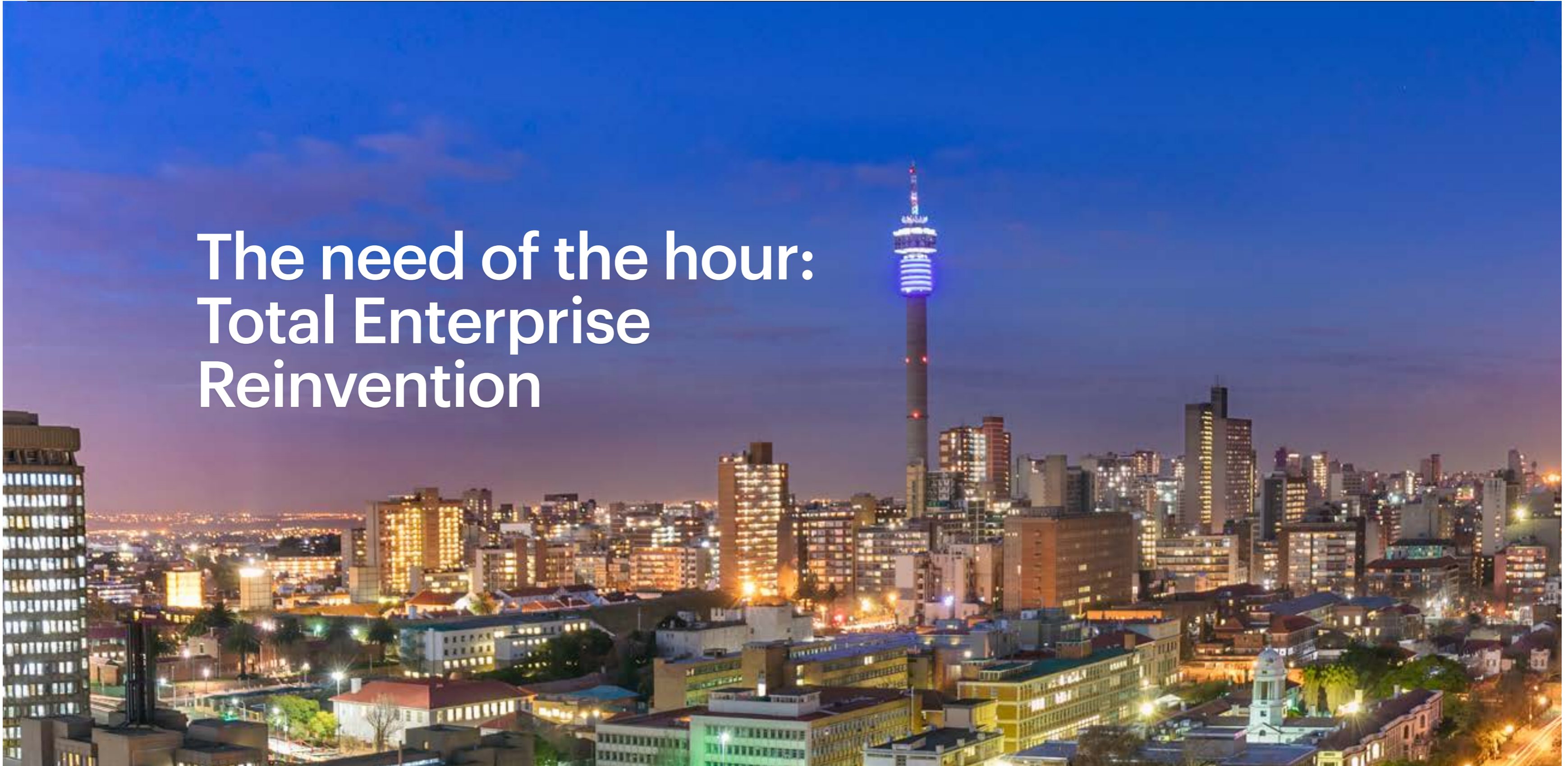
Technology to business growth value gap



Source: IDC, Capital IQ (Data shown for South Africa).
 Note: Aggregate revenue calculated based on a sample of 10,000 companies ranked by size.



The need of the hour: Total Enterprise Reinvention



What can companies do to close the gap and successfully turn their technology investments into competitive advantage?

Our experience with the world's leading companies and governments suggests that a radical, new approach is required: Total Enterprise Reinvention. Total Enterprise Reinvention is a deliberate strategy that aims to set a new performance frontier for companies and in most cases, the industries in which they operate.

In a global survey of over 1,500 C-suite executives, we identified three distinct groups of companies at different stages of reinvention.⁴ First and foremost, there are Reinventors. These are companies that are fully committed to the strategy of Total Enterprise Reinvention. Globally, only 8% of organisations qualify as Reinventors; in the South African context, this number drops to 2%.

Next, 86% are what we call Transformers who focus on transforming parts of their business rather than the whole and tend to treat transformation as a finite

programme rather than a continuous process. Within this group, 43% globally are defined as Aspirational Transformers who are best primed to become Reinventors. This group say they aspire to set a new level of performance in their industry through their transformation programmes.

Finally, there are the Optimisers, whose efforts are channelled toward limited-scope, functional transformations, with technology playing a relatively minor role in enabling their transformative initiatives. The category constitutes 6% of organisations worldwide, slightly increasing to 8% in South Africa.

Total Enterprise Reinvention outcomes

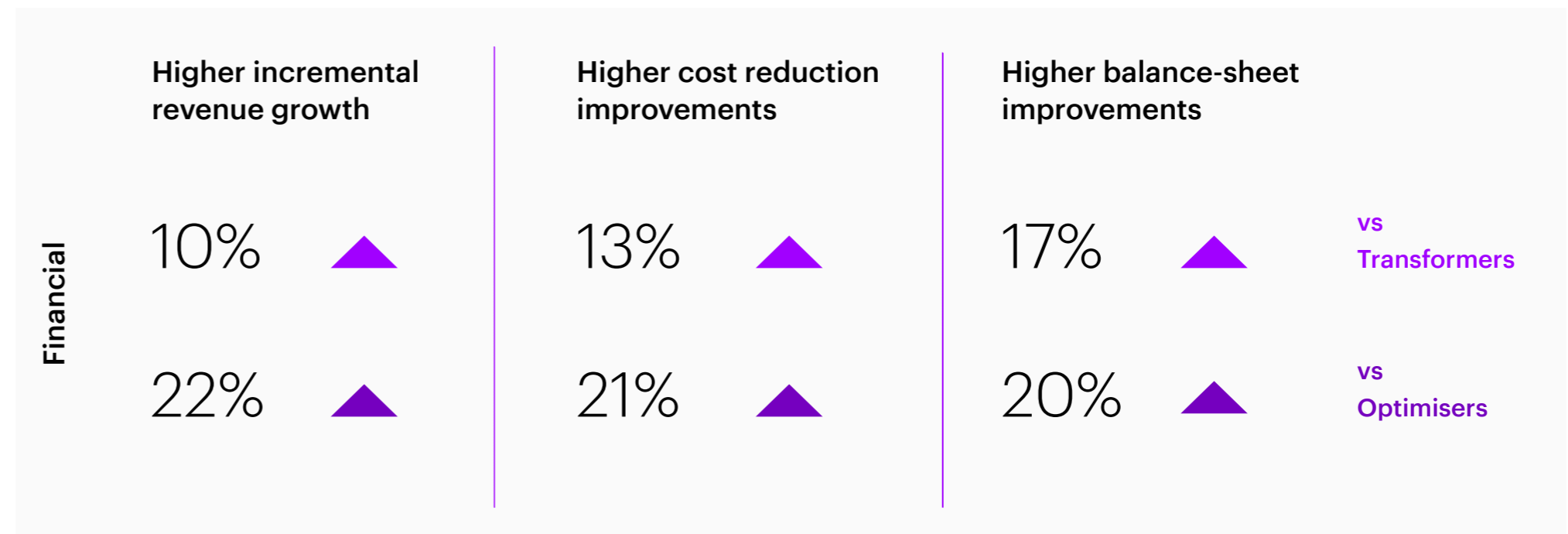
Ultimately, Total Enterprise Reinvention enables companies to deliver stronger business value across multiple dimensions. In our global survey, Reinventors report generating 10% higher incremental revenue growth, 13% higher cost-reduction improvements and 17% higher balance-sheet improvements compared to Transformers. Those numbers are significantly higher when compared with Optimisers at 22%, 21% and 20% respectively (see Figure 5).

Sixty-six percent say their reinvention strategy is unfolding substantially faster compared to past transformations. In contrast, only 27% of Transformers and a mere 10% of Optimisers can say the same.

Beyond this, 76% of Reinventors are setting non-financial targets, generating what we call "360°"

Figure 5:

Reinventors achieve stronger business value over their peers, establishing a new performance frontier.

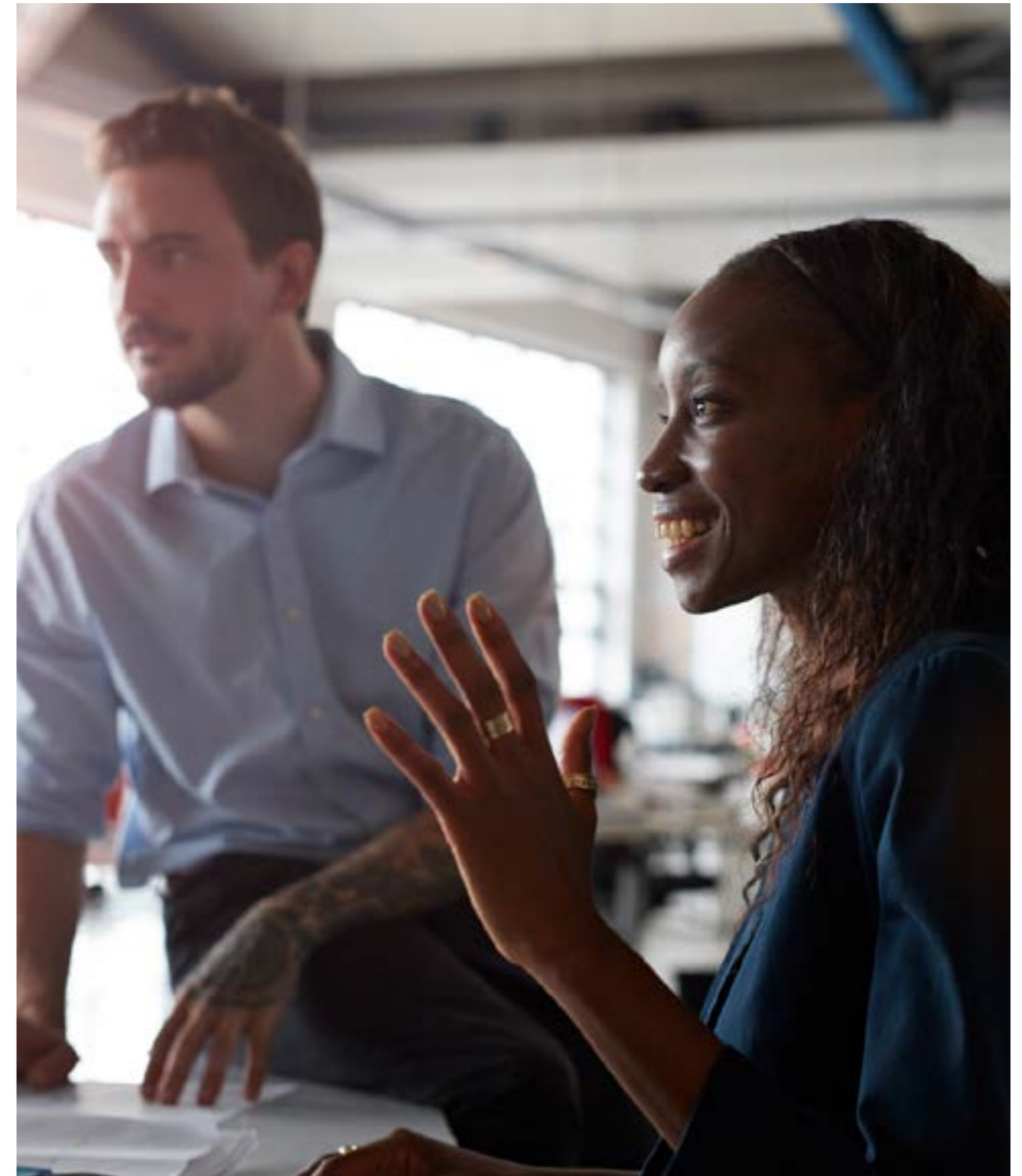
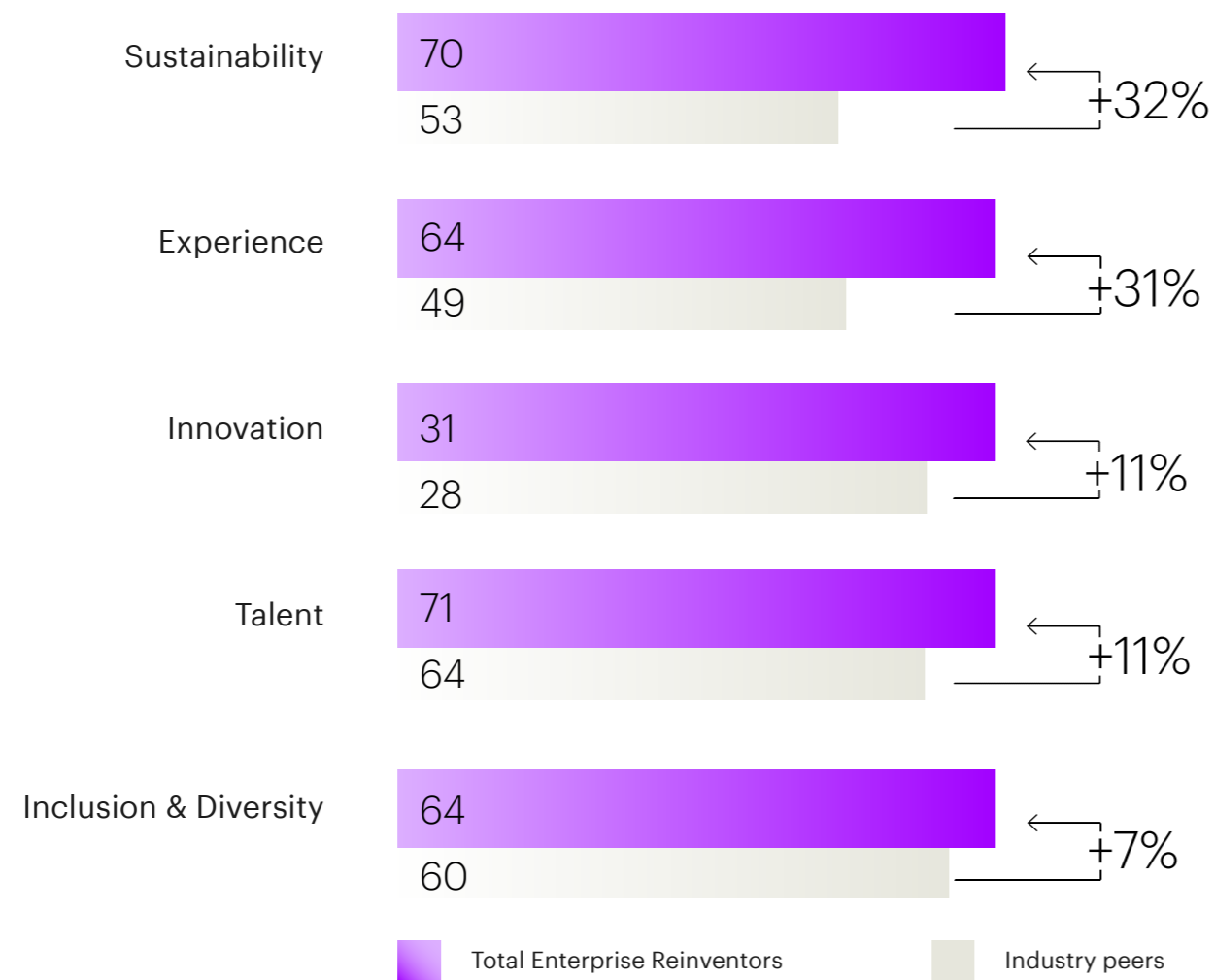


value, compared to 32% of Transformers and 10% of Optimisers. Our analysis found Reinventors — relative to their industry peers — perform 32% better on sustainability and 31% better on experience — for customers (as indicated by customer relationship-management scores), suppliers (as indicated by churn rates) and employees (as indicated by recommendations to others). Reinventors also

score 11% higher on innovation, 11% higher on “net better off” outcomes for talent and 7% higher on inclusion and diversity (see Figure 6 and “About the research” for further details on how we quantify these areas of performance).



Figure 6: Total Enterprise Reinvention improves performance on multiple measures of non-financial value.



In achieving this 360° business value, Reinventors embody the six characteristics of Total Enterprise Reinvention, rallying the entire organisation around them, across the C-suite and every function and business area.

The six characteristics of Total Enterprise Reinvention

Total Enterprise Reinvention provides a comprehensive roadmap for continuous, holistic transformation.

More importantly, it directly addresses the top three barriers identified by South African CxOs, namely, a tendency to focus on specific business areas instead of a holistic approach, a reliance on legacy systems and a lack of cultural readiness for change. In this section, we'll dive deeper into each of the six characteristics.

1. Reinvention is the strategy

No longer an execution lever, reinvention is now the overarching strategy. In fact, Total Enterprise Reinvention is a deliberate strategy that aims to set a new performance frontier for companies and in most cases, the industries in which they operate. Centred around a strong digital core, it helps drive growth and optimise operations. It's not about the scope or speed of change per se; instead, it's about how businesses can make change part of their culture and use it to define their future. A Total Enterprise Reinvention strategy flips change management to a core capability that is connected and has consistent approaches, like measurement tools, regardless of function and partner. It encourages companies to look beyond the status quo and redefine success, making tech-enabled transformation a systematic progression rather than a reactionary catch up game.

2. The digital core becomes a primary source of competitive advantage

Today, every business is a digital business and a strong digital core is the foundation for continuous reinvention and transformation. It leverages the power of cloud, data and AI through an interoperable set of systems across the enterprise that allows for rapid development of new capabilities securely. Ninety-two percent of South African executives we surveyed agree technology in general now plays and will continue to play, a critical role in both their reinvention strategy and in transformation programmes for their organisation.

In fact, on average 40% of executives across the three groups, also agree the role of technology has increased to become the top priority in transformation programmes overall during the past two years. However, while many executives acknowledge that technology plays a critical role in reinvention, the ability to use technology as an execution enabler is a differentiating characteristic of Reinventors. Our survey found 39% of Reinventors say technology is a significant enabler in executing their reinvention, compared with just 21% of Transformers and 3% of Optimisers.

3. Reinvention goes beyond benchmarks, embracing the art of the possible

Benchmarking — once a reliable gauge for transformation — now counterproductively limits what is achievable, confining leaders to yesterday's "best practices". However, they also can limit the ambition of leaders because they don't reflect the art of the possible as it relates to technology and new ways of working. In other words, benchmarks become a barrier to achieving the possible. Given the rate at which technology and customer habits are evolving, what is best-in-class today will be lagging before tomorrow arrives.

Our data shows that a focus on best practice is declining, however 55% of the executives we surveyed remain focused on matching existing best practice in their industry and seeing that goal as the full potential they can hope to achieve.

4. Talent strategy and people impact are central to reinvention, not an afterthought

Leadership alignment and cultural readiness for change form the bedrock of any Total Enterprise Reinvention strategy. The C-suite must do more than just endorse; they must actively drive transformation. It starts with a clear vision and a call to action that resonates with each person, helping connect individual purpose with the overall goal of the change. In fact, Reinventors are more likely to dedicate ample time and effort to change management and communications — including senior leaders' communication of a compelling change story. The leadership model has moved from one designed for command and control to one built on empowerment to encourage collaboration and creativity.

5. Reinvention is boundaryless and breaks down organisational silos

To truly achieve Total Enterprise Reinvention, businesses must become boundaryless organisations, interconnecting people, processes and data enterprise-wide. Ninety-nine percent of executives see this interconnectedness as increasingly vital. It demands an end-to-end, cross-functional approach, not isolated efforts within business units. This shift is redefining work, evidenced by an 18% increase in skills required for jobs posted during 2020-22.⁵ Integrated tech platforms underpin these transformations, democratising data and facilitating cross-team insights. Critical to steering this complex change is a dedicated Transformation Office. This office coordinates the entire effort, setting the schedule and tracking progress. It develops a fully integrated plan with financial projections, clear operational performance indicators and targets for each workstream that acts as a single source of truth for the entire organisation. Reinventors are 16% more likely to adopt such an office compared to Optimisers.

Consider what a boundaryless intelligent manufacturing organisation might look like. Enabled by a strong digital core of cloud, data and AI, the entire process need not be linear and sequential but can dynamically respond to changes at any point along the value chain. Evolving consumer demands, typically first picked up by sales teams, can be directly connected to manufacturing and quickly translated into real-time optimal flow paths. Aside from agility and efficiency, a boundaryless approach can also enable circular manufacturing as (re)fulfilment loops are added to the process.

6. Reinvention is continuous

Episodic, “one and done” transformations no longer pass muster. Reinvention requires both an attitude of continuous change and speed of execution — think progress over perfection. The earlier value is released, the quicker it can be invested in new initiatives that further extend the performance frontier. How can this be achieved? Fifty-eight percent of Reinventors say that both reprioritising existing initiatives and adding new

initiatives to the reinvention pipeline supports a philosophy of continuous reinvention.

Reinventors also draw on the power of ecosystem partners. Partners bring resources — assets, ideas, skills — that can accelerate progress at scale, in support of compressed transformation. Partners can also support the investment required to deliver reinvention through gain-sharing agreements. And partners can help build capabilities to deliver continuous reinvention: 69% of companies that are moving to adopt a strategy of Total Enterprise Reinvention say that having a business partner that helps select and build solutions and platforms is important to the successful delivery of their strategy.

Charting a path to become a Reinventor

Your journey to reinvention can start now. We believe all companies will need to adopt Total Enterprise Reinvention as a strategy in the coming years. Here, we present four categories designed to guide the way forward. Within each category, you'll find essential actions and questions that every business leader should reflect on.

Ambition and strategy

Evaluate your business position and set new performance benchmarks with clear C-suite accountability.

- Where are you today: are you a Reinventor, Transformer or Optimiser?
- Have you defined the performance frontier for your company and how does it measure against the best in your industry and the best in other relevant industries? Are you matching the leaders or setting the new benchmark?
- Is your entire C-suite held accountable, as a primary metric, for the success of your current transformation programmes, or is the business or function lead primarily accountable?

Talent

Equip leaders with technology acumen, establish continuous change management, and maintain consistent data metrics.

- Do leaders have sufficient technology acumen to understand the art of the possible and what it can do to drive reinvention?
- Do you have existing change management capabilities to support your continuous transformation journey, or are you standing these up for each transformation project?
- Do you use data to measure your transformation and is the same form of measurement used for all programmes?

Digital Core

Evaluate your digital core's maturity and include sustainability together with other 360 value objectives in technology investment decisions.

- How would you assess your digital core? What is its level of maturity and what are its known gaps?
- Is the ability to use technology investments to achieve sustainability and other 360° value objectives and any negative impacts formally included in technology investment decisions?

Transformation initiatives currently underway

Ensure leaders can articulate cross-functional changes and define partnership strategies for faster outcomes.

- Are the leaders of your current transformational initiatives able to articulate the changes that will occur across the enterprise and are they using metrics that take a cross-functional view?
- Can your leaders articulate the partnership strategy for each transformation programme, how that strategy is enabling them to deliver outcomes faster and increase certainty of outcomes as well as how the partner fits into your talent strategy?

Authors



Vukani Mngxati

CEO and Board Chairman
Accenture Africa



With over 22 years of consulting experience, Vukani has excelled in various strategic roles, seamlessly integrating technical expertise and business acumen. In 2019, he was appointed as the Commissioner for the Presidential Commission on the 4th Industrial Revolution.



Yusof Seedat

Thought Leadership Director
Growth and Strategy, Accenture Research



Yusof specialises in shaping data-driven thought leadership that guides strategic decision making, business development and market positioning for organisations globally to drive transformational change and innovation.

Acknowledgements

Arlene Lehman, Rebecca Tan, Mayuri Naik.

About the research

Accenture Research conducted a global survey of 1,516 C-suite executives in November 2022.

Respondents were asked about their organisation's approach to business transformation and reinvention strategy, as well as about their specific programmes and success factors. We conducted the survey in 10 countries: Australia, Canada, China, France, Germany, India, Italy, Japan, United Kingdom and the United States. Respondents represented 19 industries: Aerospace and Defence; Airline, Travel and Transport; Automotive; Banking (Retail); Capital Markets; Chemicals; Communications, Media and Entertainment; Consumer Goods and Services; Energy; Healthcare; High Technology; Industrial Goods and Equipment; Insurance; Natural Resources; Pharmaceuticals, Bio Tech and Life Sciences; Public Services; Retail; Software and Platforms; and Utilities.

Based on survey responses, we identified three groups of companies:

- Total Enterprise Reinventors (8% of the sample)
- Transformers (86% of the sample)
- Optimisers (6% of the sample)

We compared the success of transformation programmes, both in terms of 360° value impact and enabling factors, across these three groups.

We also ran a logistic regression to understand how each principle of Total Enterprise Reinvention is related to a company's probability of outperforming its industry segment peers, in terms of the financial value that the transformation delivers. The financial value of the transformation is based on incremental revenue growth, cost reductions and balance sheet improvements. The regression controls for company specific factors such as company size and headquarters location.

South Africa:

An additional survey for South Africa was conducted in July 2023 for a sample of 50 C-suite executives. Based on the South African sample, the three groups are

- Total Enterprise Reinventors (2% of the sample)
- Transformers (90% of the sample)
- Optimisers (8% of the sample)

Defining the three groups:

- Compared the success of transformation programmes, both in terms of 360° value impact and enabling factors, across these three groups.
- Ran a logistic regression to understand how each principle of Total Enterprise Reinvention is related to a company's probability of outperforming its industry segment peers, in terms of the financial value that the transformation delivers.
- The financial value of the transformation is based on incremental revenue growth, cost reductions and balance sheet improvements. The regression controls for company specific factors such as company size and headquarters location.

**Reinventors achieve stronger and faster 360° business value over peers, establishing a new performance frontier.*

360° value performance analysis of Total Enterprise Reinventors

We compared the non-financial performance of companies we identified as Total Enterprise Reinventors, based on expert input, relative to their industry-segment peers. We used non-financial performance elements of Accenture's 360° value framework for the analysis: sustainability, experience, innovation, talent and inclusion and diversity (I&D).

- Each sub-component is based on a set of indexed scores. Sustainability covers environmental, social and governance scores. Experience consists of scores that reflect customer experience, ecosystem partners experience (supplier churn, vendor churn, etc.) and employee experience (e.g., recommendation to friends). Innovation is based on the efficiency of tangible and intangible expenditures. Talent is based on the 'Net Better Off' outcomes, consisting of a company's performance in the areas of compensation and benefits, work/life balance, employment quality, occupational health and safety, culture and values and human capital development. I&D is based on employee diversity and product accessibility.

Global Disruption Index

We created an overall measure of disruption to assess the level of volatility and change in the external business environment. The index is based on the average of six sub-components, that cover the economic, social, geopolitical, environmental, consumer and technological spheres. Each of the sub-components is based on a set of indexed scores for a range of indicators.

The economic component is based on economic risk ratings, Volatility Index (VIX), Gross Domestic Product (GDP) volatility and inflation volatility. Geopolitics is based on the risk of geopolitical instability. The social component reflects social unrest and non-participation in the labour market. The environmental component reflects the frequency of climate-related disasters and climate-driven risk. The consumer component reflects pessimism at a global level, based on the inverse of the OECD's Consumer Confidence Index. Finally, the technological component is based on an index comprised of 24 indicators, which use the presence of disruptors and performance of incumbents as proxies for the level of disruptive innovation in industries.

References

1. South African Government, New investments to propel our digital economy forward, 17 April 2023, <https://www.gov.za/blog/new-investments-propel-our-digital-economy-forward>
2. RMB, E-commerce to be worth R225bn in SA in 5 years as expectations change, 25 June 2023, [E-commerce growth expected to continue - Rand Merchant Bank \(rmb.co.za\); https://www.rmb.co.za/news/ecommerce-to-be-worth-r225bn-in-sa-in-5-years](https://www.rmb.co.za/news/ecommerce-to-be-worth-r225bn-in-sa-in-5-years)
3. BusinessTech, South Africa needs R1.2 trillion to end the energy crisis: Eskom, 28 September 2022, [South Africa needs R1.2 trillion to end the energy crisis: Eskom - BusinessTech](https://www.businesstech.co.za/news/energy/south-africa-needs-r1.2-trillion-to-end-the-energy-crisis-eskom)
4. Accenture, Total Enterprise Reinvention CxO survey, 2022
5. Accenture Research analysis based on Lightcast's job postings database. Postings were for positions in the US and were posted between Q3 2020 and Q2 2022. We use natural language processing to identify project-based roles and then calculate the share of project-based role postings as a proportion of total job postings

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organisations build their digital core, optimise their operations, accelerate revenue growth and enhance citizen services—creating tangible value at speed and scale. We are a talent- and innovation-led company with approximately 733,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology and leadership in cloud, data and AI with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients reinvent and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities. Visit us at www.accenture.com.

About Accenture Research

Accenture Research creates thought leadership about the most pressing business issues organisations face. Combining innovative research techniques, such as data science led analysis, with a deep understanding of industry and technology, our team of 300 researchers in 20 countries publish hundreds of reports, articles, and points of view every year. Our thought-provoking research developed with world leading organisations helps our clients embrace change, create value, and deliver on the power of technology and human ingenuity. For more information, visit www.accenture.com/research.

Disclaimer: The material in this document reflects information available at the point in time at which this document was prepared as indicated by the date provided on the front page, however the global situation is rapidly evolving and the position may change. This content is provided for general information purposes only, does not take into account the reader's specific circumstances, and is not intended to be used in place of consultation with our professional advisors. Accenture disclaims, to the fullest extent permitted by applicable law, any and all liability for the accuracy and completeness of the information in this document and for any acts or omissions made based on such information. Accenture does not provide legal, regulatory, audit, or tax advice. Readers are responsible for obtaining such advice from their own legal counsel or other licensed professionals.

This document refers to marks owned by third parties. All such third-party marks are the property of their respective owners. No sponsorship, endorsement or approval of this content by the owners of such marks is intended, expressed or implied.

Copyright © 2023 Accenture. All rights reserved. Accenture and its logo are registered trademarks of Accenture.