Swift, agile and ruthlessly customer focused:
What we can learn from digital innovation hubs

By Yaarit Silverstone and Kent McMillan
How can big legacy organizations match the speed and ferocity of the digital disruptors that increasingly threaten their traditional strongholds? These more nimble newcomers not only exceed customers' expectations—they're so fast on their feet that they can actually reinvent what “good” looks like in a matter of months.
Accenture Strategy research shows that only 19 percent of organizations have complete confidence in their operating models' ability to keep pace. Many may still be hoping that sheer scale will help them fend off the threat. It won't. By focusing on heavy quarterly reporting and governance, perpetuating cumbersome business process, and sustaining sluggish product lifecycles, scale in its traditional sense has become part of the problem.

In today's world, speed is more important than scale. But despite their size, many big legacy organizations have also managed to be agile—meaning they respond and act quickly on decisions—albeit in small places. By establishing digital innovation hubs—small and highly fluid inter-disciplinary teams that embrace lean methodologies and are empowered to experiment with new ideas, often in partnership with outsiders—these players are starting to build capabilities that solve for and with the customer and get to market faster.

Many large companies have already made significant investments in such capabilities, and some are starting to bear fruit. For the most part, however, the success stories emanate from standalone units within the broader organization. The challenge going forward will be to become more holistically agile. To learn from the digital innovation hubs—and from the disruptors—and apply those learnings to boost speed, right across the enterprise.

Speed, agility and ruthless customer focus distinguish digital innovation hubs. Here is what you can learn from their success.
Be elastic

Digital innovation hubs are successful because they prioritize what the organization’s customers really value—not what its internal processes dictate. Hubs have access to relevant customer data, as well as the tools and authority to make decisions “edge-centrically,” or autonomously, without recourse to higher-order governance structures. They pursue a highly flexible roadmap that helps them keep track of constant change and react faster to it. Hubs, in short, are ready, willing and able to pivot in response to new customer and technology realities as they emerge, rather than reactively.

For example, a major downstream energy player is using a continually evolving digital roadmap with a six-month plan that is refreshed every three months in light of market and technology changes, achieving a step change in time-to-market and responsiveness—a considerable improvement in the company’s traditional annual planning cycle. Because it can take a concept from idea to market readiness so swiftly, the company is better positioned to respond directly to the continuously evolving demands of its customers while maintaining the premium experience behind its brand promise.

This elasticity has power beyond hubs. Imagine a sales and operations planning (S&OP) process that adjusts minute-by-minute in response to changing market dynamics, rather than having to wait for a quarterly planning forum. From weather changes to consumer demand shifts, the supply chain can respond instantly – ensuring no customer is ever disappointed by an empty shelf.

Figure 1: Even at an individual service level, the journey is a little bit different...

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Hack for growth

Speed trumps accuracy in today’s disrupted markets: doing something is learning something. A perfect design from day one just isn’t possible, or even desirable, especially since the smallest piece of an idea could turn out to be its best aspect. So instead of making one big investment upfront in an idea that may not fly, digital innovation hubs experiment in small batches, piece-by-piece, to ensure that customers are happy with each outcome—and if they aren’t, the hubs can continuously enhance, and when required, swiftly pivot to where the value is.

Take, for example, the story behind the success of Slack, one of the fastest-growing B2B SaaS businesses with its cloud-based corporate messaging service. The company’s developers were working on a flash-based online game called Glitch when they realized that chat technology could also reduce email traffic. Similarly, a European bank, which used analytics-based A/B testing of 648 landing page options to increase conversion rates by 10 percent, found that the most effective version actually boosted conversion rates by a remarkable 290-percent.

However, growth hacking’s full potential is still to be unlocked. Imagine if it were applied to the internal workings of the business—HR, for example. Employee benefits packages could be rooted in insight around what each employee truly values, and workspaces could be iteratively enhanced to unlock new levels of possibility: Google’s People Operations team already bases its employee-experience-enhancing decisions on data and analytics, rather than organizational instinct alone. Indeed, the possibilities within employee experience are nearly infinite, with huge potential to drive greater human productivity.
Swarm and re-form

Digital innovation hubs’ liquid workforces are the reason behind their success in tackling complex challenges and resolving them swiftly. They are self-organized, multi-disciplinary, and empowered to make decisions autonomously without escalating upwards.

Take, for example, the “squads, tribes, chapters and guilds” that help sustain fleet-footed thinking at Spotify, the online music streaming, podcast and video service. Squads (or scrum teams) are designed to operate like mini start-ups: driving together toward a shared vision and spending at least 10 percent of their time on “hack days” with others. They come together in a loose yet coordinated structure of tribes, chapters and guilds that provide economies of scale without sacrificing autonomy or slowing down decision-making. In another example, the digital innovation hub at a major retailer forms a scrum team around each digital service it creates. The teams consolidate the right skills for the task at hand—from technical resources and service designers to the functional skills relevant to that service: supply chain experts, for example—to support a track-and-trace service.

This way of working will only become more important, with Accenture research showing that generalists who can learn quickly, embrace constant change, and work in teams are increasingly highly valued. Seventy-nine percent of c-suite executives think that the workforce of the future will be structured more by projects than by job functions. And 75 percent believe that a more fluid workforce will help (not hinder) innovation.7

Imagine an entire organization where, aside from a core team of corporate functions, nobody has a “fixed” role. Instead, people sit in talent pools and form flexible teams based on the capabilities required: from a supply chain transformation project that brings together the marketers who own the customer offer (and therefore, define delivery terms) with supply chain experts and IT developers, to a new market launch that brings together in-market sales, marketing activation, and logistics experts.
Play with others

Collaborating with others—and outsiders in particular—brings much more than a fresh perspective. It can create a customer offer that no single player could create alone: not, at least, without significant commitments of time and money. It can also bring access to higher quality capabilities, and enable them to be switched on and off as required.

By sharing complementary assets with non-traditional partners (including potential competitors), digital innovation hubs are forming formidable ecosystems that create capabilities greater than the sum of their parts and drive new value for both parties. Shell, for example, has partnered with PayPal to enable a new Fill Up & Go system at its UK filling stations. Instead of undergoing a major hardware upgrade to install a card terminal at each pump, Shell simply partnered with PayPal to leverage its existing mobile payment technology. Customers can now use an application on their smart phones to confirm payment and authorize the pump to dispense fuel.8

50 percent of organizations plan to form new partnerships within their industry.7 Many have already recognized the benefits of renting, leasing or buying-in complementary capabilities. And some are going as far as acquiring start-ups to tap into new skills: corporate venturing transactions worth $75.4 billion were completed in 2015—five times as many as in 2012.9

Consider the possibilities if companies were to expand their use of partnerships. They could build partner management capabilities to tap into a wider ecosystem, while shifting mindsets to create two-way relationships built on trust. Imagine the platform company that only performs core strategic activity, with new offers and experiences powered by partners who bring capabilities that are difficult to build or access, at pace: a true strategic differentiator.
The bigger picture

We’ve seen the value of applying these approaches to digital innovation. But a larger opportunity beckons. To retain their lead in a world where scale alone is not enough, large organizations need to move beyond organizing for speed and innovation in discrete places. Instead they need to apply what they learn from digital innovation hubs to the enterprise as a whole—but where to begin?

Our experience suggests that four key shifts will be critical to success:

1. From multi-year business plans and quarterly governance to rolling roadmaps and real-time decisions, where strategy is continuously tracking customer value and market opportunity.

2. From up-front product and service design to iterative growth stories, using analytics and traction metrics to test hypotheses and continuously enhance the customer offer.

3. From static, functional teams to crack squads drawn from across the organization (and beyond) to solve for the customer, not for the function.

4. From renting non-core transactional capabilities to forming strategic partnerships that enable new customer offers for both the organization and its partners.

By making these shifts, organizations can not only successfully rise to the challenge of digital disruption. They can also be positioned for growth in markets where being fast, flexible and ruthlessly customer focused is the hallmark of a winning business.
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Notes

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