Beyond the Product: Rewriting the Innovation Playbook for Electronics and High Tech Companies
Innovation Driven Growth: Accenture research has identified a relationship between innovation and product development capabilities and financial performance that can lead to 3% – 5% higher revenues for Electronics and High Tech companies. Leading businesses are reconfiguring how they innovate to drive growth. For companies in the Electronics and High Tech (EHT) industry, there is new energy in redefining growth and this pivot to the “new” is being driven by three macro trends:

- Increased product connectivity with an ecosystem of internal and external systems
- Greater reliance on software to deliver a product’s features and value
- Rise of service-driven platforms enabling Everything-as-a-Service (EaaS) offerings and Internet of Things (IoT) markets.

In this new marketplace, leading players are focusing beyond just products and services. They’re developing new platforms with ecosystems of connections to support the demand for an enhanced customer experience, while confronting rapidly shifting sources of competition. This competition arises from blurred industry boundaries and competitors increasingly working in partnerships with their “rivals.”

To remain competitive with new and existing players, as well as with new business models, leading innovators in the EHT industry are continuously redefining who they are and developing capabilities that can enable them to quickly adapt to customer expectations.

In a recent Accenture survey, we analyzed the innovation and product development practices and value performance of over 350 companies from the Global 2000 across eight industry sectors. This report draws on that research, zeroing-in on results from the EHT industry, with a specific focus on communications equipment, consumer technology and enterprise technology companies. Accenture created a maturity framework—the Accenture Innovation Driven Growth (IDG) Model1—to map the research findings and analysis against four distinct categories of innovators (see Figure 1). This model and our research confirms a clear, empirical correlation between companies’ distinct innovation and product development capabilities and their financial performance.

Figure 1: Accenture’s Innovation Driven Growth (IDG) Model, segmenting four distinct categories of innovators.

Table: Revenue increase percentages realized by leaders having high innovation and product development capability maturity

<table>
<thead>
<tr>
<th>Industry</th>
<th>Revenue Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Equipment</td>
<td>7.0%</td>
</tr>
<tr>
<td>Consumer Goods &amp; Services</td>
<td>5.5%</td>
</tr>
<tr>
<td>Consumer Technology</td>
<td>5.3%</td>
</tr>
<tr>
<td>Automotive</td>
<td>5.0%</td>
</tr>
<tr>
<td>Life Sciences/Medical Products/Biotech</td>
<td>4.8%</td>
</tr>
<tr>
<td>Software</td>
<td>4.0%</td>
</tr>
<tr>
<td>Enterprise Technology</td>
<td>3.9%</td>
</tr>
<tr>
<td>Communications Equipment Technology</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Copyright (c) 2016 Accenture. All rights reserved.
Focusing on the right innovation and product development capabilities—the “what,” and the right execution, the “how”—can generate greater financial returns for EHT leaders.

Leaders defined as “Early Innovators” and/or “Value Makers” (versus “Market Share Protectors” and/or “Efficient Executors”) differentiate themselves not only by what they focus their innovation on, but also how they go about innovation itself. Accenture’s survey and research uniquely demonstrate the quantifiable difference in high performance, and the distinct strategic decisions. Leaders in the EHT industry are experiencing substantial financial benefits when the right innovation and product development capabilities are addressed and executed in the correct way (see Figure 2).

How to get this extra growth: what EHT leaders focus on

Our survey and analysis identified which distinct capabilities are key drivers for innovation driven growth. Focusing on the following five innovation and product development capabilities not only differentiates EHT leaders amongst their peers in revenue lift, but also in setting leading practices in the marketplace.

Innovation and product development leadership

Leaders were 2x more likely to cite the importance of having clear leadership vision and long-term product strategy, with the ability to sense market dynamics and respond to disruptions in core markets.

New business incubation and integration

Leaders were 2x more likely to cite their focus on building the capabilities to take ideas and turn them into new revenue streams, along with the ability to successfully nurture acquisitions with an integrated operating model and extract value from them.

Product portfolio strategy alignment

Leaders were 20% more likely to cite the significance of cascading corporate strategy into the product portfolio strategy, as well as having regular portfolio re-assessments and re-optimizations to respond to changing market conditions throughout the year.

Digital customer experience

Leaders were almost 20% more likely to cite the emphasis on incorporating digital into the consumer experience, where products and services are not only intelligent, but connected to “things,” as well.

Hardware and software integration

Leaders were almost 30% more likely to focus on integrating and unifying product lifecycle management (for hardware components) and application lifecycle management (for software components) processes, data and tools.

The multiplier effect: nearly 3x performance improvement confirmed by industry executives

Accenture proprietary analysis sought to understand how, through their additional focus on distinct innovation and product development capabilities, leading EHT companies are outpacing their peers in key product development performance metrics (see Figure 3).

Figure 3: Early Innovators/Value Makers are generally two- to three-times more likely than Market Share Protectors/Efficient Executors to experience significantly better performance results in innovation and product development performance
What can you do? Creating your innovation platform

Today’s world-class product development organizations should be fine-tuned to govern a multi-dimensional strategy in a radically changing digital ecosystem, where leaders will command high-performance product engineering discipline. Electronics and High Tech organizations that seek to move into the Value Maker quadrant will build a concurrent innovation model consisting of these core components:

Innovation and product development leadership

Technology-led leadership: EHT industry executives confirm their focus on innovation and product development leadership. Leading consumer technology companies are out in front with more than 90% attributing their leadership vision and product strategy as the key capability that drives financial return. In today’s digitally-saturated world, leaders will distinguish themselves by establishing a short- and long-term product technology vision across the product development ecosystem.

New business incubation and integration

Next-generation product reinvention: As industry lines continue to blur and new mergers and acquisitions activity increases, integration strategies should be product-led. Companies seeking to pivot to the “new” in accelerating new revenue models will require an integrated product development methodology that harmonizes an incubation-lab environment (enabling rapid prototyping to product support) with dynamic product-based feedback.

Product portfolio strategy alignment

Analytics-driven portfolio governance: In today’s fast-paced market, product portfolio complexities will compound at an accelerated rate. Orchestrating a product/service launch means mastering the conundrum of multiple product development lifecycles that are asynchronous and no longer linear. A defining Value Maker will focus on advanced analytics to drive a powerful and transparent portfolio governance model.

Digital customer experience

Customer-centric platforms: High Tech companies recognize the importance of designing a total customer experience. Leading enterprise technology companies are in front, with 56% of them citing improved customer experience as the most successful innovation in the past two years. High-performing innovators will realize benefits by developing scalable platforms that go beyond the product, differentiating themselves through the holistic customer experiences they can provide.

Hardware and software integration

Unified hardware and software development workflow: Software is becoming the primary mechanism to deliver product features and capabilities. Leaders will differentiate by creating an integrated, unified architecture that can span and connect all core and affiliated product data—mechanical, electrical, software, packaging, quality, sourcing and costing—to enable one common data model that does not delineate between hardware and software.

Electronics and High Tech (EHT) customer demand and buying models are constantly changing and evolving at pace. Our research shows that increasing the focus on improving these five innovation and product development capabilities is an excellent countermeasure to constant change, and will likely separate tomorrow’s EHT leaders from their competition in both product performance and overall financial health.

Authors
Kevin Prendeville
kevin.p.pрендeville@accenture.com
Michael McAndrew
michael.j.mcandrew@accenture.com

Key Contributors
Lisa Jackson
lisa-cheng.jackson@accenture.com
Jeff Wheless
jeffrey.wheless@accenture.com
Maria Guidoli
maria.g.guidoli@accenture.com
Mélina Viglino
melina.viglino@accenture.com

About the Survey
Accenture analyzed the innovation practices and financial performance of 350 businesses from the Global 2000 across eight industries (automotive, industrial equipment, consumer goods, medical devices, enterprise technology, consumer technology, communications technology and software) and nine geographies (US, Canada, UK, France, Germany, Italy, China, Japan, South Korea). We interviewed Chief Technology Officers (CTOs), Division Presidents and Division Vice Presidents (VPs) of Engineering and Innovation, or their equivalent. Leaders were identified as the top 20 percent of all companies as defined by their industry-specific financial performance along with their advanced innovation approaches and capabilities.

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 approximately 375,000 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.