Consumers who play games on their tablets, watch movies on phones, surf the Internet on TVs and upload content to social media see no boundaries among media, communications and high tech companies. But, behind the screens, companies that provide the devices, services and connectivity are actively engaged in parallel and high-speed races. And they are heading for a collision.

At the same time, new entrants are merging in, making it difficult to find a clear path forward. Just like any highly competitive race, some will crash, some will stall and some will flame out. Even those that make it over the finish line will likely show some wear and tear.

Large companies try to stay in the race using traditional vehicles. They leverage size and scale, often sacrificing revenue to compete with start-ups that can navigate nimbly around them. It is like a large car with a big fuel tank trying to beat a sleek, racing motorcycle.

As stock car drivers—and video gamers—know, the secret to winning is being able to equip yourself for the competition. Gamers gain competitive advantage by changing armor, switching vehicles or choosing a new skin. Their capabilities don’t change, the way they package and present them does. In the same way, the winners in the high-speed, high-stakes communications and high tech race will be the companies that know when to be big and powerful and when to be small and nimble.

Next gen tech companies—both traditional competitors and new entrants—have the opportunity to set the pace and chart the course for merging industries. But first, they must equip themselves to successfully navigate through whatever collision course is in front of them.
LEVELING UP: BUSINESS AS USUAL FOR NEXT GEN PLATFORMS

When Amazon launched in 1994, few believed a company could be profitable selling books online. Today, thinking of Amazon as an online book seller seems quaint. The company has ventured beyond online retail into technology innovation (Kindle and Echo), media creation (award-winning TV shows and movies) and a force in the platform economy (Amazon Web Services). Each of these ventures, while successful in its own right, boosts others as well: The Echo drives sales by making it easy to order things. The Kindle Fire encourages video watching and use of Amazon Music.

Amazon maintains its nimble, start-up mentality while entering and thriving in new and traditional market segments. Analysts attribute this success to a culture that encourages innovation from anywhere in the organization, a willingness to launch products early to avoid too much financial or emotional investment, and a relentless focus on products and services that customers might be willing to pay for.

With agility and strong execution, Amazon sets a high bar for next gen platforms. Yet its approach to innovating and organizing offers lessons to both new and old players looking to evolve quickly in the converging marketplace.
With super-fast networks, online services and cheap devices and sensors shaping all aspects of how we work, play and live, most communications and high tech companies would appear to be poised for phenomenal growth. Yet this is not the case. Forty percent of high tech companies and telcos surveyed by Accenture Strategy are experimenting with new technologies such as gaming, social media or analytics that capture work-related data.¹

According to industry research, only 2 percent of future Internet of Things (IoT) vendor/supplier revenue will be captured by connectivity providers.² However, more than 80 percent will go toward software services that ride on top of that connectivity. Accenture Strategy predicts the industries that will capture the most value from IoT are insurance (26 percent), manufacturing (20 percent) and banking and securities (14 percent).³ The race is on to provide targeted IoT services for each of these industries – or risk becoming a connectivity utility or commodity hardware provider.

This prediction has not stopped new entrants from flooding into the space. Case in point: in just seven years, WhatsApp—a free alternative to cell phone text messaging—has built a customer base of more than 1 billion monthly active users. This has been accomplished by a relatively small team of approximately 57 engineers, showing that Internet-born competitors can redefine scale and displace incumbents at record speed.⁴
The typical strategy for companies under siege is to launch new products and services into the market faster. Ninety-two percent of executives surveyed by Accenture Strategy recognize their organizations must be faster, more networked and more collaborative.\textsuperscript{5} This is not enough.

Even industry pillars like Apple are trying to find a mix of revenue streams that are not so dependent upon product sales. Additionally, trying to respond to offerings or trends is like trying to swat your way out of a cloud of mosquitoes. Every time you make a clearing, new pests swarm in. And many are well-funded by venture capitalists, who have poured billions into just a couple hundred companies over the last 10 years.

In a way, the goods and services are less important than the ability to deliver them consistently. With a responsive operating model and investment in innovation and platform services, next gen tech companies can move forward with offerings that align with their capabilities and strategies while keeping pace with competitors and closing the gap between vision and reality.

This thinking is not lost on today’s executives. According to 97 percent of communications executives surveyed by Accenture, engaging in platform-based business models and ecosystems is critical to success.\textsuperscript{6} Finding and executing the right models is not easy, though. While 80 percent of executives interviewed reported that advanced operating models are a driver of growth, just 22 percent say their operating model is helping them act on strategic growth initiatives.\textsuperscript{7}
Among talk about agility, responsiveness and creativity of new players in the colliding comms/high tech space, it is easy to focus on what incumbents lack rather than what they have. Yet shaping a new operating model around legacy capabilities is imperative.

Among 30 communications executives Accenture Strategy interviewed, all agreed that switching off legacy systems too early would cost customers, revenue and market share, and the losses would be almost impossible to recoup.8

Many communications and technology companies have assets and capabilities that new entrants envy. Google Fiber’s experience shows just how tough it is to profitably replicate the communications infrastructure of others. Communications companies who employ legacy capabilities in ways that foster organizational speed to bring new products and services to market is the key to thriving in the next generation.

All executives must pay attention to how legacy fits within their evolving organization. Conway’s Law—the notion that companies inevitably design systems that mirror their communication structure—has been demonstrated by siloed companies that produce stand-alone products with disconnected and broken customer experiences. In other words, focus first on “orgitecture”—with a balance of strategic vision and a detailed picture of the current state—and the product architecture will flow.
Any organization can shape itself into a next gen tech company. This is not just the domain of new entrants. The key is embracing the mindset and behaviors that are most conducive to agility and speed.

**BROADEN STRATEGY. NARROW FOCUS. GET LEAN AND COMPETITIVE.**

Thinking and acting on several planes—and at several speeds—simultaneously is what the new marketplace is all about. Broadening strategy might mean thinking about all the services and processes a company provides and how they can be packaged and sold to new entrants that are re-inventing the wheel. By taking a broad and realistic look at what an enterprise is good at—and what niches it can fill executives can hone in on specific services and products rather than trying to address every market need.

**AGGRESSIVELY ELIMINATE SPANS OF CONTROL AND ADMINISTRATIVE BURDEN.**

The need for executives to push decisions across and deeper into the organization is nothing new, but is far easier said than done. Top-down organizations and closed-door development must give way to flat, collaborative networks. Empowering managers to make decisions is critical to faster cycles and deeper pools of potential ideas. An open-source approach brings ideas to market more quickly.

Our analysis of more than one million employees undergoing change initiatives at more than 200 companies over the past 15 years shows that agreement to the vision is the most important factor in driving benefits realization from change programs. Relinquishing control over so many decisions is a leap of faith that is as essential as it is difficult—and it may require a different skill set from top leaders.
DEFINE THE ECOSYSTEM BEFORE YOU ARE LOST IN IT.

Once an organization has identified the business it is in, it can collaborate with complementary companies to offer customers a full range of products and services. Technology can enable an organization’s strategy or define it. Next gen companies will choose the latter, building ideas and products around technology’s potential and a network of partners that can help achieve that potential. Delivering will demand a robust technology infrastructure, a thriving ecosystem and an organizational structure capable of maintaining and expanding existing customer and partner relationships while developing new ones.

A technology optimization and rationalization effort can help identify which parts of legacy can continue to add value and which should be retired or replaced. With a full understanding of the technology suite, organizations can innovate with old and new technology and create a model and culture that attracts top talent and is poised for sustainability.

Collisions knock all objects off course and into different directions. For high tech and communications companies, the inevitable collision of industries has the potential to send some organizations reeling while propelling others forward. The companies that are best able to absorb the crash and quickly get back on course will define the next generation for the industry. By anticipating impact and taking steps to instill agility into their organizations, executives can minimize fall out, plan for a quick recovery and join the ranks of next gen innovators that will continue to redefine how people live, work and play.

"A technology optimization and rationalization effort can help identify which parts of legacy can continue to add value and which should be retired or replaced."
NOTES

2. Accenture Strategy analysis
3. Accenture Strategy research
7. Accenture Strategy analysis
8. Accenture Strategy analysis

ABOUT ACCENTURE

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