Accelerating Digital Performance in High-Tech

The time to pivot to new business models is now
Cloud, analytics, mobile, and new communications capabilities are ushering in a new period of industry disruption. Most CEOs in the high-tech industry are making major commitments to the digital technologies that are transforming business.

But Accenture analysis reveals that the vast majority of the world’s leading technology companies are not currently translating these digital investments into better financial performance, and importantly, new business growth.

We have seen this before. To date, the typical response to digitally driven market disruption has been cautious: digitizing core operations only to improve short-term competitiveness, typically through lower cost structures and leaner operating models. Many companies have either failed to discover the market opportunity created by new digital technologies, or they lacked the appetite and agility to undertake the required wholesale redesign of their business.

New research by Accenture shows that many high-tech industry players continue to apply digital to drive efficiencies. And digital investments focus primarily on preserving the core business, rather than on expanding into new digitally contestable markets or emerging “as-a-service” delivery models.

A digitally transformed future is inevitable. But despite ongoing digital investments, few high-tech companies have a clear and disciplined focus on growth and transformation. Without redefining how they plan, make, sell and manage, many high-tech companies are surrendering future growth potential for short-term gains.

To better understand how companies are positioned to reinvent their business using digital, Accenture examined the digital performance of 55 of the largest companies in high-tech, and identified leading practices from companies that coupled digital and financial success—the Digital High Performers.

Our analysis indicates that 60% of high-tech companies (33 out of 55) have survived in the past without building up digital capabilities. In contrast, only 9% of companies have achieved ‘digital high performance’.

To win in the changing industry landscape, high-tech incumbents need to accelerate the renewal of their core business while investing in building new platforms and “as-a-service” business models.
Using a systematic, data-driven approach, we have assessed the digital performance of high-tech companies, from an 'outside in' perspective, focusing on capabilities across four business areas: PLAN, MAKE, SELL and MANAGE (Figure 1).

Figure 1: Four high level dimensions of Accenture's Digital Performance Index (DPI)
Our analysis found that although the high-tech industry has long been a catalyst for digital disruption in many industries, its overall Digital Performance score of 2.8 on the four-point scale indicates that the digital journey of many companies is lagging relative to the degree of disruption that is occurring in the industry.

By contrast, the Digital High Performers – those that have managed to combine digital and financial success – posted an average score of 3.2. They excel in the use of digital technologies and tools across all aspects of their business. (Figure 2)

![Figure 2: High-Tech Digital Performance Score; Digital High Performers versus High-Tech Industry Average](image)

Scores awarded 1-4 (from lowest to highest)

![Figure 3: Gap between Digital High Performers versus High-Tech Industry Average across all four dimensions](image)

Left Column: Digital High Performers in High-Tech
Right Column: High-Tech Industry Average

Scores awarded 1-4 (from lowest to highest)
The PLAN dimension reflects whether companies see digital trends impacting the business, plan strategies and budgets for digitization, act decisively on digital, and take a leading role in digital development in their industry rather than reacting to it.

Our analysis found that when it comes to digital performance, overall high-tech companies excel at planning (Figure 3), and over 79% have a Chief Digital Officer or equivalent.

There is strong evidence that these companies are on the forefront of digital trends and are investing actively to turn their digital agenda into a financially rewarding reality.

Huawei, for example, has created the Huawei Innovation Research Program (HIRP) to stimulate innovative ideas and the creation of quality global resources. The HIRP cooperates with top universities, Internet companies, software and hardware vendors, carriers, and open source organizations in areas including data transmission, SDN ecosystems and advancing the SDN industry, high-performance distributed storage, parallel computing, and Big Data.

Digital High Performer Microsoft has demonstrated a strong commitment to "as a service" business models. Microsoft considers "everything as a service," an idea that is central to its push to get IT to the cloud. In a recent analyst meeting, Kevin Turner, the company’s chief operations officer, discussed Microsoft’s shift from licenses to "annuity conversion," noting that "with Windows as a service, you can only dream about what the capability might be over the long term there as we develop that and it matures."

Another Digital High Performer, Salesforce.com, has built its entire existence on the 'as-a-service' concept. The 15-year-old company had a vision from the start to leverage the cloud to completely change the way companies use CRM systems. The company’s solutions have been designed and developed to be easy both to use and to customize and to integrate with other software applications.

Acting early on disruptive trends is critical in an industry that has seen several once high-flying market leaders crash and burn. One such trend: service delivery where applications, infrastructure and business processes are brought together and delivered "as a service."

For a high-tech company to be a Digital High Performer, "as a service" must be integral to its strategy. Cloud, analytics and automation architectures behind "as a service" accelerate innovation, reduce costs and grow revenue. Enabled by these plug-in, scalable, consumption-based services, high-tech companies can achieve significant, measurable business outcomes.

Our new perspective, A New High-Tech Industry is Born, looks at the capabilities required to manage this large scale change. For more information visit accenture.com/high-tech.
Our analysis reveals that high-tech companies are more advanced in the deployment of digital capabilities in design, build and run activities (MAKE) than they are in digital adoption in the SELL or MANAGE aspects of their business. For example, over 68% of high-tech companies openly use crowd sourcing for idea generation.

The MAKE dimension reflects whether companies design with digital technology and innovative approaches, build digital and digitized products and services, and leverage digital solutions that streamline activities across the supply network.

Most notably, Digital High Performers are leaders in digital product and service innovation that unlocks new revenue streams. Consider Salesforce. com, whose Salesforce Wear® represents one of the industry’s first initiatives for wearable computing in the enterprise. The company also launched the Salesforce Wear Developer Pack, empowering developers to dramatically enhance their ability to connect companies with their customers in entirely new ways through apps for wearables from extended partners like Google, Samsung, Oculus Rift (Facebook), Pebble and Jawbone.

In a world increasingly defined by the Internet of Things, the ideation, design, manufacture and service of products will grow more complex. As a result, high-tech R&D needs to be transformed. As Robert Plant, an associate professor at the University of Miami’s School of Business, recently told the Wall Street Journal, the high velocity product adoption lifecycle in the technology sector “has changed competition permanently, forcing production runs to be much shorter and companies to time product releases more precisely in order to survive.”

Beyond managing their own products, companies need service development capabilities that encompass software and hardware from multiple ecosystem partners. Digital High Performer Apple has not only pioneered new digital product categories and new ways to bundle hardware and software offerings; it has also created seamless connections and interfaces between these products. Perhaps even more important, Apple opened up its products to become platforms for third-party developers to add their products and services to, albeit in a very controlled way.

The digital world calls for changes that extend beyond the traditional borders of the enterprise and involves an entire ecosystem of partners, customers and suppliers. In addition, as the product release cycles change from 12 to 18 months to continuous delivery, R&D can no longer be separated from enterprise infrastructure. When all this is properly planned and executed, it will improve the way companies can innovate and manage costs and ultimately increase returns on R&D investment.

Are you making the right investments in digital to fuel high performance in Research and Design?

Accenture Product Lifecycle Services can help our clients create new revenue generating business models to designing efficient manufacturing operations that can deliver value-making innovation to market at lower costs. For more information visit accenture.com/PLS.
Digital performance in selling: Importance of insight and security

The SELL dimension of Digital Performance reflects the extent to which companies engage customers through digital means, sell through multiple integrated channels and serve customers with a seamless experience post-sale or subscription.

Our analysis found that while 82% of high-tech companies allow customers to view and comment on products/services via the company’s own users’ forum, overall the digital performance of high-tech companies in “SELL” capabilities is weaker relative to their ‘PLAN’ and ‘MAKE’ capabilities.

However, Digital High Performers do score significantly higher than the industry peers, at 3.4. These companies are digitally enabling customer experience management by anticipating customer needs and desires. They are effective at providing a seamless experience across multiple integrated channels, and they are transparent in their efforts to ensure a secure digital environment for customers who use their product or service post-sale/subscription.

Digital High Performer Citrix Systems is employing digital to engage customers, partners and developers throughout the relationship lifecycle through a range of online communities intended to stimulate conversations involving Citrix technologies. Communities focus on different topics or technologies and provide a collaborative space where customers and other stakeholders can get questions answered, promote sharing ideas and feedback, and allow users to help each other.

Companies that are already providing cloud-based services have a clear advantage. As their customers are accessing services in the cloud architecture, these companies can monitor how their service is being used, determine how to cross- and up-sell their services, and improve the customer lifetime value for the company.

Digital capabilities are critical to sales and service enablement. Digital investment in sales and channel spend that is tightly aligned with overall business strategies for growth, can improve customer engagement, bolster sales productivity, and lift revenue.

Accenture Sales and Channel Services presents a compelling, and in many cases, self-funded opportunity to help clients accelerate profitable sales growth. For further information visit accenture.com/salesgrowth.
Digital performance in managing: Importance of cultural and operational renewal

The **MANAGE** dimension reflects the extent to which a company can assess the status of its digital culture, cyber infrastructure and capabilities, improve operating efficiency through digital deployments, and renew resources with the aid of digital means.

When it comes to embracing digital in renewing and managing the corporate culture and internal operations, high-tech companies are facing significant challenges (as indicated by a low overall average score of 2.4 out of 4 in the MANAGE dimension).

For example, while 86% of High-Tech companies indicate that they continuously assess their cyber security, only 55% are open about hosting special initiatives to stress test their digital capabilities.

At 2.8, Digital High Performers are more advanced in digitally transforming their corporate culture and internal operations. But not by much. They do stand out in assessing how digital can impact their culture and capabilities. Furthermore, they are more transparent about their internal process digitization with those outside the organization, which creates more effective relationships with investors, partners and customers.

For those companies that are ready to move to “as a service” business models, there is a direct and immediate impact on corporate culture and operations.

The first function likely to be impacted is finance and accounting. This is due to revenue recognition rules changes involved in moving to a subscription-based model. Corporate IT is also likely to be impacted because providing services through the cloud reduces maintenance time and moves service level requirements into the “five 9s” category, the 99.999% system availability that is increasingly being formalized as a commitment by cloud providers.

Salesforce.com is using digitalization to build a transparent culture by displaying real-time performance and security status of their systems – including transaction volumes completed, threats detected, suspected malware treated, and recent email threats – on an open website.

Microsoft is equipping the entire business with digital tools to facilitate greater agility responding to changes in the market and the business. Its “One Microsoft” structure allows for improved resource allocation and optimized efficiency. United by a single mission, resources are marshaled so people can work together by building on each other’s ideas and collaborating across boundaries.

Digital’s disruptive impact on the enterprise is forcing companies, organizations, and governments to reimagine traditional functions—everything that drives a connected enterprise across business functions including finance, HR, operations and more.

With efficient, digital processes in place, employees have more time for innovation and tackling higher-level priorities. Organizations can offer products, services and value to customers that were not even imagined just a few years ago.

The shift from protecting the core to renewing the core using digital is critical to future success of high-tech companies.
Digital High Performers distinguish themselves by focusing on:

- Integrating "as a service" and technology platform based models in their business strategy (PLAN)
- Building an ecosystem of software-centric product / platform offerings (MAKE)
- Providing an engaging and seamless customer experience that clearly recognizes the need for strong and consistent data security across multiple integrated channels (SELL)
- Renewing the organization to help execute the new business models (MANAGE)

Digital High Performers are not only leaders in digital performance; they also demonstrate superior financial performance and shareholder value. This underscores the importance of having a thorough understanding of how digital disruption is transforming the high-tech industry and the ability to clearly articulate business strategies and associated digital initiatives that will most benefit the company in a digital future.
References


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 373,000 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.

About the Accenture Digital Performance Index

The Accenture Digital Performance Index is a cross-industry assessment framework developed by Accenture. It is based on a comprehensive review of publicly available information contained in investor materials (annual reports, financial filings, presentations, etc.), articles, interviews and corporate websites, to check for evidence of digital enablement in specific activities and metrics within each of four business dimensions: Plan, make, sell, manage. A scale of one to four was used to rate company performance on each activity. A score of four indicates very strong evidence was found, while a score of one indicates no evidence was found.

The high-tech industry assessment was conducted during the November 2015 to January 2016 period and included 55 of the largest industry companies globally. Based on the aggregate company scores, Accenture identified the top 25 percent of high-tech companies making significant progress in their digital capabilities, which we designate as Digital High Performers.

For a deeper discussion on how you can leverage these insights to drive business performance:

Contact: high-tech@accenture.com
Join the conversation #digitalperformance
Visit: www.accenture.com/high-tech-digital-performance

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