MAKE YOUR WISE PIVOT TO THE NEW

How leading companies invest and innovate to harness the power of disruption.
DISRUPTION IS A WAY OF LIFE
It can be seen in every industry today.

63% of companies are experiencing disruption

44% of companies are highly susceptible to future disruption

Source: Accenture Research analysis, Disruptability Index
DISRUPTION IS CONTINUING TO RISE

Current disruption levels have increased for 72% of industries from 2011-18. The Energy sector has seen a 56% rise in disruption since 2011.

Current level of disruption scores – From 2011 to 2018
18 industry sectors; Highlighting 5 sectors with highest increase in disruption

- CG&S: +31%
- Retail: +37%
- Life sciences: +37%
- Energy: +56%
- Automotive: +22%

% increase in disruption score

Sources: Disruptability Index 2.0, Accenture Research
OVER TIME, MOST INDUSTRIES REMAIN IN THE SAME PERIOD OF DISRUPTION

ENERGY IS A NOTABLE EXCEPTION

For most industries, disruption is persistent—based on long cycles of change rather than on sudden events.

We assessed how industries’ levels of disruption evolved over time. Their paths exhibit the tendency for a gradual rather than rapid evolution in industry disruption.

83% of the industry sectors analysed—including Retail—spent at least five years in just one period of disruption between 2011 and 2018. 39% of industry sectors—including Software and Platforms and Life Sciences—remained in the same period throughout.

There are exceptions to the rule. The Energy sector saw a rapid shift in its level of disruption between 2014 and 2015 as a range of disruptive factors—from the growth of shale/unconventionals to increases in electrification—took hold.

Short-term shocks happen. But they follow a long period of sustained change. Disruption is slow, then fast, and, unless incumbents act, sustained.

Figure 3: Disruptability Index pathways, 2011-18

Sources: Accenture Research Disruptability Index 2.0

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EVEN DISRUPTORS CAN BE DISRUPTED
When squeezed from all sides, Accenture chose continuous reinvention

Disruption marched right into our offices
Early in this decade, we recognized that professional services and outsourcing would be commoditized.

We dug deep
Multiyear study on disruption and the performance of more than 3,000 companies across numerous industries.

Identified the characteristics of leaders
Not just from our research, but also as part of our first hand experiences with our clients.

Striking a balance across three business lifecycles … the old, the now and the new
• Didn’t abandon our legacy businesses
• “Pivoted” to generate more profit out of our core business using some of the very technologies disrupting it
• Unlocked trapped value
• Invested that value in five high growth areas to drive innovation for us and our clients: interactive, mobile, analytics, cloud and security
The digital age calls for a new approach to organizational change (rotation to the new) that enables companies to make a wise pivot successfully. This approach requires companies to:

1. **TRANSFORM THE CORE BUSINESS**
   ...to drive up investment capacity.

2. **GROW THE CORE BUSINESS**
   ...to sustain the fuel for growth.

3. **SCALE NEW BUSINESS**
   ...to identify and scale new growth areas at pace.

A Wise Pivot also requires the right **INVESTMENT STRATEGY** to ensure that the timing, scale, and direction of investments are calibrated adequately.
The Wise Pivot

- In an age that demands companies stay in a permanent state of change.
- Companies that survive through disruption will constantly reinvent themselves, always striving to keep their businesses relevant to the future.
SPEAKING FROM EXPERIENCE

One of the most significant reinventions in the history of consulting

From a traditional IT consulting firm ... to a leader in innovation

Since 2014:
• Grew revenue by $10 billion
• Nearly doubled our market cap
• Hired an additional 154,000 people

Since 2015:
• Invested about a $1 billion annually in employee education
• Expanded our patent portfolio in areas such as artificial intelligence, cybersecurity, drones, virtual agents and the internet of things.
• Launched our own minority investing organization, Accenture Ventures

Early years:
• SAP PM / MM
• SAP Data Conversions

Formative years:
• Process Embedment
• Upstream data warehousing

Working in the “NEW”
• Data science MVPs
• User centered design / UI Dev
ACCENTURE’S OWN RE-INVENTION

Accenture faced a series of existential threats in the first decade of the millennium. Accenture’s Wise Pivot has led to one of the most significant reinventions in the history of consulting.

TRANSFORM THE CORE
- Fit-for-purpose businesses / Competitive Agility (ZBx)
- Automation & AI
- Adoption of Agile mindset

SCALE THE NEW
- Innovation architecture
- Interactive, applied intelligence, industry X.0, cloud, security
- Accenture Strategy
- Intelligent operations
- Next-generation, industry-focused platforms
- Accenture FORM

WISE PIVOT
- V&A: ~$5B on 90 strategic acquisitions
- Capital Allocation: 60% rotation to the “New”
- Talent strategy – e.g., Leadership DNA
- Investment strategy

GROW THE CORE
- Accenture Research and thought leadership
- Accenture’s Journey to Cloud
- Future of consulting: functional practices, scaling practices, Data Driven Consulting, performance architecture
- Intelligent platform solutions: Microsoft, SAP, SFDC, Oracle
THREE FUNDAMENTAL STEPS TO DEFINE THE FUTURE

I. ENVISION THE FUTURE
• Align on what the energy system will become (consumers, energy leaders, stakeholder)
• Define future bold moves required to complement today’s core

II. OPTIMIZE THE CORE
• Unlock value & cash from current operations
• Discover the opportunities to refocus the existing portfolio to future value

III. EXECUTE THE PIVOT
• Perform strategic bold moves working future-backward

Potential business models

Emerging Trends
- TECHNICAL
- SOCIAL
- ECONOMIC
- POLITICAL

Define today’s core

Energy value chains

The future value chains & ecosystem

Competitor response

Zero Base Spend and Organization

Customer scenario & impacts

“Human view” & consumer mindsets

Long-term strategy & plan

Orient core portfolio to the future

Potential disruption combinations

Stepping stones to use

Business adjacencies to conquer

New capabilities to build

Extract fuel for growth

Orient core portfolio to the future

Potential business models

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SIX “LIVING” DIMENSIONS ARE ESSENTIAL FOR ANY STRATEGY ROADMAP

VISION
What is your vision of transformation? Is the Vision well understood?

OPERATING MODEL
How are you organized? Can you move @Pace & Scale? Have you addressed organization and workflows to reinforce your vision?

TALENT & CULTURE
What are the new skills needed? What behaviors do you want to change?

TECHNOLOGY
What are the capabilities needed? What investments have you made? Are you constrained by Legacy systems?

ECOSYSTEM
Do you have a partner strategy and posture? Are your partners focused on your vision?

BUSINESS CASE
Where’s the most value & Risk? What’s the funding plan? Where are you seeing success?
DO NOT HESITATE - FIND WAYS TO CREATE CAPACITY TO INVEST (TRANSFORM THE CORE)

Kingfisher: leading European home improvement retailer

With consumers increasingly migrating online for product search and purchasing, the traditional brick-and-mortar retail model is rapidly being disrupted. In response, the company has introduced a five-year transformation plan to infuse digital innovations into both customer experience and sales channels.

To release funds to invest in an agile and digitally driven model, Kingfisher has driven efficiencies through
- standardizing group-wide processes,
- consolidation of supply chain and
- centralization of purchasing and inventory management (e.g., advertising, shop fittings).

This initiative led to £30m in cost savings / financial year
REMEMBER NOT TO LEAVE THE LEGACY BUSINESS BEHIND (GROW THE CORE)

CVS Health: leading US healthcare company

Established as a discount health and beauty store in 1963, CVS added in-store pharmacy departments four years later. The company pursued a steady transition of its business model in subsequent years, which accelerated in 2006, with the acquisition of MinuteClinic, the pioneer of in-store health clinics. This move created a highly innovative network of in-store walk-in clinics offering affordable non-urgent, acute health care with extended hours.

Change at CVS Health is a continuous and deliberate journey. Notably, through the transformative merger with Caremark Rx, Inc. in 2007, the company created CVS Caremark, the nation’s leading Pharmacy Benefit Manager.

Furthermore, the company re-branded itself as pharmacy innovation company “CVS Health” in 2014, and the committed investments show that its change journey continues. For example, in September of that same year, CVS Health became the first pharmacy retailer to stop selling tobacco.

In addition, the company has invested substantially in digital technology and analytics tools across their enterprise to help facilitate patient care coordination and improve health outcomes. At present, CVS Health is one of the United States’ largest health care providers, with over 9,800 retail pharmacy locations and over 1,100 MinuteClinics in 33 states and the District of Columbia.
START INNOVATING BY DESIGN AND WITH FOCUS (SCALE THE NEW)

Ecolab: leading global provider of technologies to the food, healthcare, hospitality, energy and industrial markets.

Ecolab has been an early pioneer in driving innovation through digital technology; namely, the company introduced its 3D TRASAR™ Cooling Water Technology more than 30 years ago. This technology today combines chemistry, remote services and sophisticated monitoring and control to improve a range of industrial operations. For example, using connected sensors, nearly 30 billion of data points annually are collected and analyzed across 36,000 systems at customer sites; the data is used to make adjustments to the “dose” of chemicals needed to keep the water clean and flowing efficiently.

The company has more than 1,600 R&D personnel (scientists, engineers, and technical specialists) in 19 global technology centers developing highly specialized solutions that improve product quality, safety and efficiency, while simultaneously reducing energy and water usage and waste. In five years, Ecolab expects to generate more than US$1.2 billion in total annual revenues from products and services from its 2018 innovation pipeline.
CLIENTS ARE RESPONDING TO DISRUPTION IN MANY WAYS TO BEGIN THE PIVOT; THIS REQUIRES A HOLISTIC APPROACH

Transforming the Core Business to be competitive now and in the long term remains mission critical and will be the key to any rotation to the “NEW”

1. **TRANSFORM THE CORE**
   Transform the efficiency and productivity of core operations to create sustainable competitive positioning, profitability and returns.

   - Asset Integrity / Reliability
   - Digital Strategies & Transformation
   - Workforce of the Future / Transformation
   - Competitive Agility (Zero Based)
   - Remote / Optimized Operations
   - App Rationalization / Journey to Cloud
   - Digital Customer (User Centered Design)
   - Value Chain Optimization
   - Cyber Security

2. **GROW THE CORE**
   Access fresh opportunities and scale in areas of competitive core business advantage; to meet short- and medium-term growth expectations.

   - Mergers & Acquisitions
   - Capital Project Life Cycle Management
   - Asset Portfolio Optimization
   - Value Chain Integration

3. **GROW THE NEW**
   Identify value pools for the future that are accessible, scalable and synergistic with the core.

   - Ventures: Acquisitions & Alliances
   - Sustainability / Energy Transition
   - Future Talent Strategy
   - New Business Entry

4. **WISE PIVOT**
   Balance the capital, capability and risk allocation to create optionality for the future
YOUR FEEDBACK IS VERY IMPORTANT TO US. PLEASE OPEN THE LIFE2019 APP TO ANSWER A FEW SHORT QUESTIONS ON THIS PRESENTATION.
The Disruptability Index measures an industry’s current level of disruption as well as its susceptibility to future disruption.

To diagnose the current level of disruption, we “follow the money” along two dimensions: from incumbents, where we look for evidence of declining financial performance, and to disruptors, where we search for evidence of new competition.

Our research shows disruptors are successful in three ways: they deliver significant innovation in products and experiences for consumers; they break down incumbent defences and barriers to entry; and, they dramatically lower historic prices through new cost structures.

We therefore measure industry susceptibility to disruption along these three dimensions, assessing how innovative, defensible, and efficient incumbent businesses are.

The index assesses 18 industry sectors and then 106 industry segments within them. We use a combination of industry-level and company-level performance data, with the latter informed by analysis of the 10,000 largest listed companies (based on revenue).
THE WISE PIVOT REQUIRES A DECISIVE SHIFT TO NEW BUSINESS ACTIVITIES...

• We have surveyed 1440 C-suite representatives, from companies with revenues >US$500m…

• … across 11 key industry sectors and 12 countries.

• We have discovered that more than 50% of these companies expect new business activities to account for more than half of their total revenues and profits 3 years from now.

What proportion of revenues and profits do you expect your company to be generating from new businesses 3 years from now? (% of respondents)

- Revenues:
  - 18% 36% 34% 11%
  - 54%

- Profits:
  - 15% 36% 34% 15%
  - 51%