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Breaking with Convention to Achieve Digital High Performance

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The next time you pick up your smartphone, think about this: More people in the world have access to mobile phones than to toilets or latrines.

Statistics like that led Microsoft to launch Windows 10 not as a desktop operating system, but as a multi-device service, running everything from your PC to your smartphone to your

Xbox. In doing so, the company found a way to transform its legacy business and unlock a new source of value. It expects 1 billion active users to be on Windows 10 by 2018.

Microsoft's strategy runs counter to traditional advice about how to manage fundamental corporate change. Executives are typically advised to continue to run legacy businesses while developing new digital operations as separate departments or divisions. Instead, the Microsoft example is a demonstration of a smarter approach to growth that Accenture calls "rotation to the new": growing legacy lines of business by applying digital capabilities to both improve and reinvent them.

That strategy has landed Microsoft among those companies Accenture calls Digital High Performers—companies that couple digital investment with a broad level of financial success, as evidenced by high scores for profitability, revenue and future value. Of the more than 340 companies studied by Accenture to date, only 6 percent meet that standard. More companies need to follow their example—and fast.

Accenture has found that too many organizations are focusing their digital investments on preserving their legacy business, instead of expanding it into new "digitally contestable markets" that promise higher rates of growth; and that incumbents are often sacrificing future growth on the altar of short-term gains—in particular, profitability.

"Many companies are investing in digital in significant ways by

focusing on automation and efficiencies,” says Omar Abbosh, Accenture’s Chief Strategy Officer. “This helps improve their profitability, but that uses digital as merely a price of entry in the market. Instead, digital needs to be oriented more to growth.”

Digital High Performers like Microsoft have mastered the ability to rotate to the new, which breaks with the convention of making constant trade-offs.

In the past, many companies exploited new digital opportunities by separating new businesses from existing businesses that were often treated as cash cows. Instead, according to Abbosh, companies should no longer distinguish between the core and the new. Rather, they should focus on developing new digital opportunities within existing core businesses. “This is not about sweating an existing business while creating other business divisions dedicated to digital. This is about reinvesting in the core business in order to generate both profitability and growth there, so that it can be transformed to take advantage of new digital opportunities.”

Rotating to the new “is hard for established companies whose P&L structure locks them into existing processes, infrastructure and culture,” Abbosh says.

Accenture identifies four steps that can help companies rotate to the new:

- Transform the core business to drive investment capacity.

- Reinvest in the core to find new business opportunities and growth there.
- Commit to new areas of business through experimentation and a willingness to fail fast and move on.
- Make the wise pivot, by striking the right balance between near-term and long-term investments, and between the core business and the new.

Breaking with convention and achieving digital high performance requires significant changes to enterprise strategies. For example, a company needs new structures and governance to successfully manage the core and the new together. It clearly needs a cultural shift to adopt a fast-fail mentality. The injection of new leadership should depend less on hiring from competitors and come more from digital disruptors. This will, in turn, help drive a willingness to crowdsource and co-create more readily with outside partners. One of the attractions of this fresh approach to digital disruption is its surprising subtlety and nuance. The refusal to break with past businesses, the well calibrated pivot, the cultural changes that are needed. It is by rotating to the new that Digital High Performers achieve the speed, agility and aggression required to transform digital commitment into sustainable financial returns.