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Zeroing out the past

Accenture Strategy

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“If you always do what you always did, you will always get what you always got.”

Albert Einstein’s words ring true today—
a warning for companies trying to drive growth
and profitability in disrupted markets by looking
at the past instead of designing for the future.

Work that really matters

Disruption is pushing companies to rethink the business as a matter of survival. After all, 75 percent of the S&P 500 will be replaced in the next 10 years.¹ Yet capabilities and talent—often among the largest P&L investments—are not pivoting fast enough, creating a gap between companies' ambition and ability to compete in the new.

Across industries, the workforce is performing tasks and routines in ways that have been passed from one generation to the next. Many activities have been simplified, disappeared due to digital, or made leaner by scaling back from a current state organization designed for yesterday's needs. But many organizations have too many people doing work that does not connect to valued outcomes.

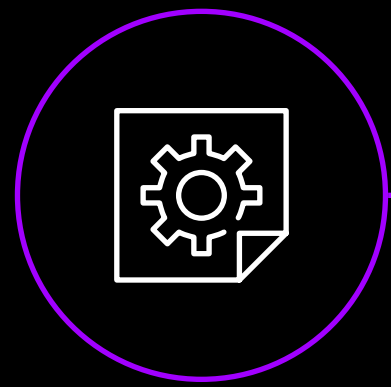
The resulting organizational inertia is deadly. So forward-looking companies are turning to ZBx, or a zero-based mindset. ZBx is a new way to drive profitability that emphasizes agility over austerity and the future over the past.

Zero-based organization (ZBO) is a critical component of ZBx. It empowers companies to design the "right" organization from a clean sheet, shifting talent from work that no longer contributes to desired outcomes to the distinctive capabilities and operating model required to fuel profitable growth.

By Accenture Strategy's definition, business models outline how companies create value for end customers, while operating models identify what activities are required to win, how they will be delivered, by whom and where.

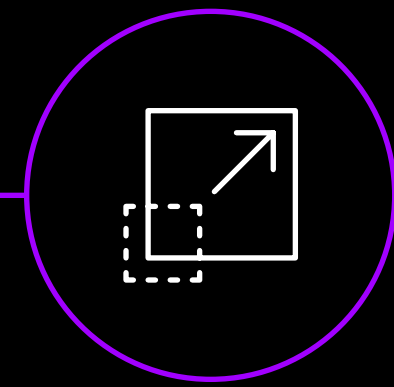


The 5 “rights” of ZBO



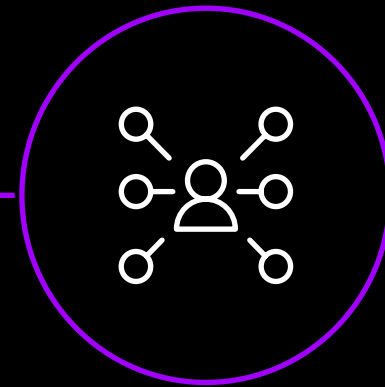
Right work

Consider what work drives the greatest business value, identifying key routines and the most important projects. Eliminate work by reducing unnecessary complexity and investment.



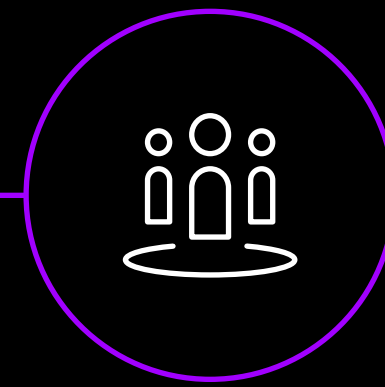
Right size

Identify the time, effort and frequency of work that must get done. Aggregate workforce effort by routine and project. Employ digital technologies or sourcing strategies where possible.



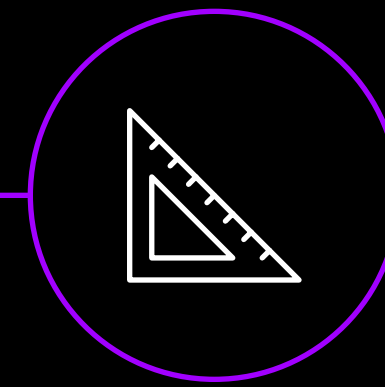
Right structure

Design the organization to balance spans of control, focus on core competencies, and clarify roles and responsibilities, moving away from inflexible, hierarchical structures to more fluid project-based structures.



Right people

Build a true bottom-up, clean sheet organization, looking at skills, levels, tenure, salaries and location. Align skills to key roles and assign stretch roles. The right people share the purpose of the organization and have a cultural fit with the new model.



Right measures

Set organizational objectives and align them to business functions. Develop individual employee objectives to drive personal accountability and create true transparency to enable people to make decisions from the “frontlines” for a more agile organization.



A question of identity

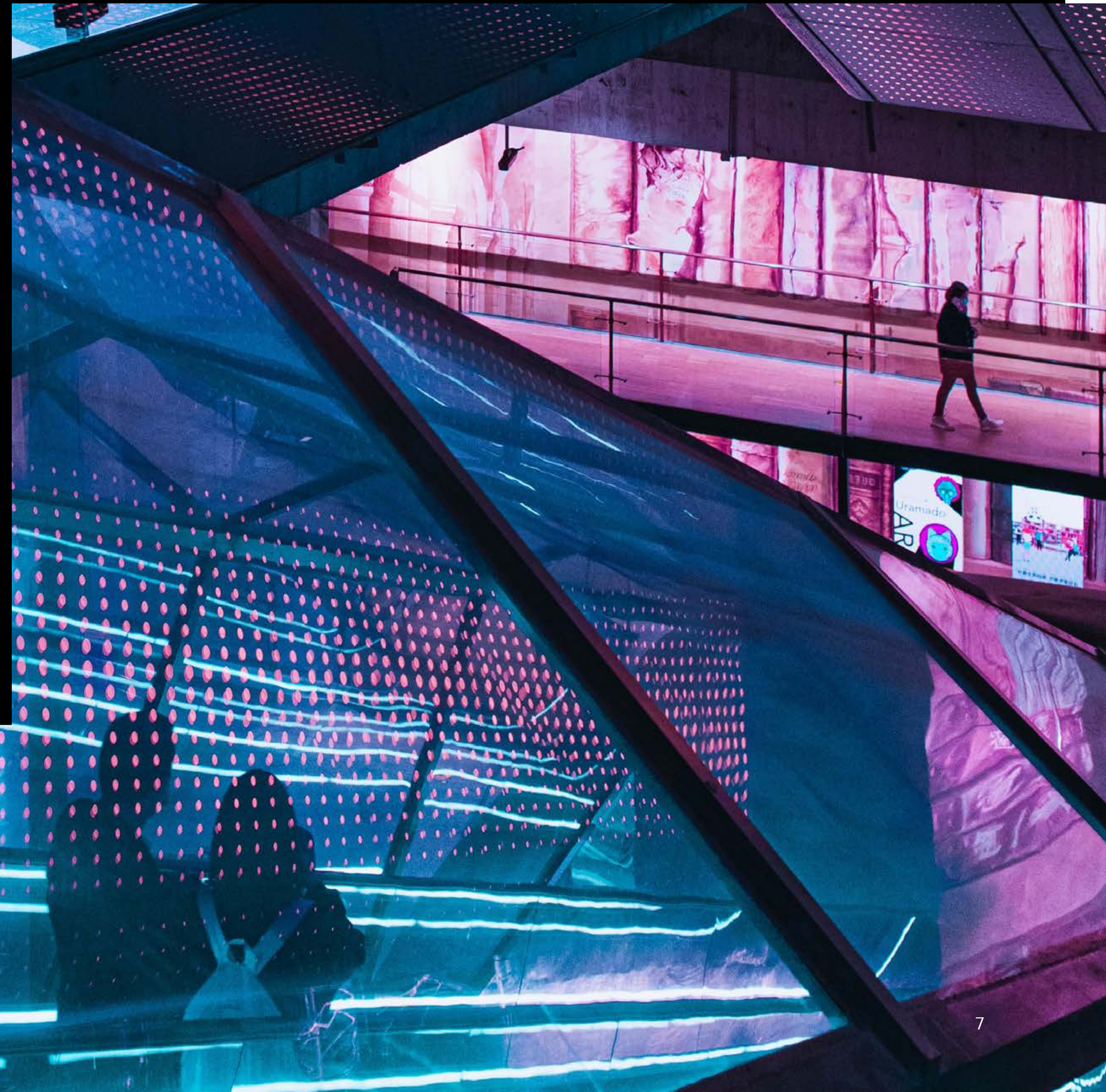
Serious soul searching is a prerequisite for ZBO approaches. Designing from a clean sheet is just that. ZBO challenges a company's strategic ambition, choices and distinctive capabilities without the bias of the past. Think of it as kicking the tires on what a company will and will not do, as well as what it will do differently. Staying relevant means developing a growth strategy and quickly realigning to a more agile organization to support it. While 82 percent of companies are focused on freeing up funds to invest in growth initiatives, only a quarter of executives believe their company's operating model has evolved quickly enough to align to their strategy.²

Leaders must question what is happening in their company and use it to feed clean sheet design. Not just in moments of existential angst, but also when things are going well to keep the business fresh and aligned with customer and market realities. This means working simultaneously on two fronts to drive competitive advantage and growth. There is "getting brilliant at the basics" with process excellence and more efficient execution of core functions. And there is "cutting new ground" to drive innovation, build distinctive capabilities and engage customers in wholly new ways.



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Strategic refocusing must be reflected in your operating model. A global consumer packaged goods company recognized that to survive in an increasingly competitive marketplace, it needed to pivot from a product-led to an experience-led offer to set themselves apart from the pack. This shift succeeded because of fundamental changes to the operating model, with the company establishing clear ownership of the customer experience in a dedicated customer function, while driving execution excellence with a commercial function focused solely on experience delivery. In making this shift, the company streamlined in non-core areas, enabling it to fund critical investments in customer experience, digital, enterprise analytics, responsive supply chain, and innovation capabilities.³



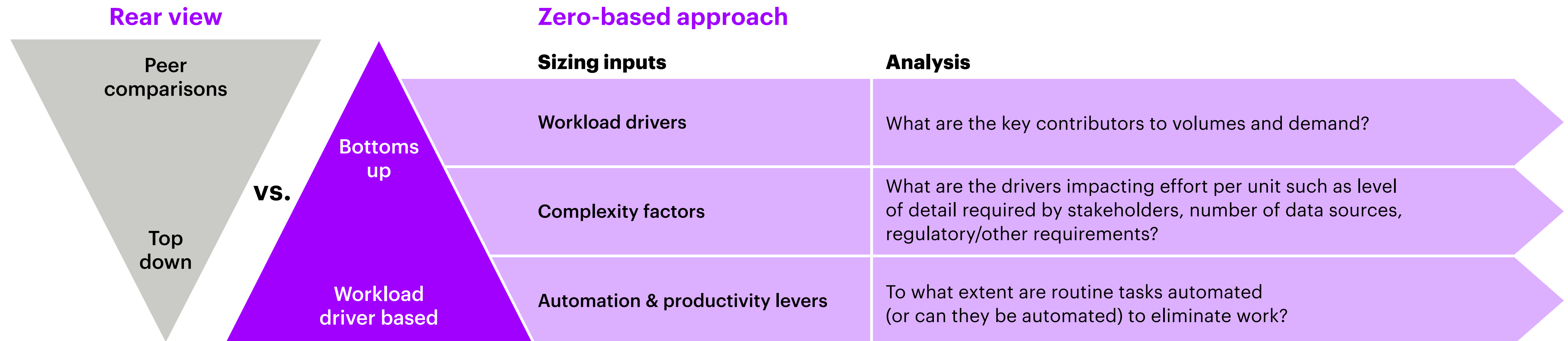
Control your own destiny

After validating the strategy, companies must optimize or right-size how capabilities are being used to implement a ZBO approach to achieve profitable growth. ZBO frees companies from first quartile benchmarks and rear-view mirror peer analysis. Companies design for “should be” costs by clean sheeting every line item

to create transformational savings rather than just incremental reductions. This process defines a new zero quartile specific to workload drivers, complexity factors and automation/productivity enabled by the digital roadmap (see Figure 1). Workload driver-based sizing enables companies to leapfrog traditional benchmarks. For example,

a global beverage company reduced its accounts payable process costs by 65 percent (versus the 20percent improvement to first quartile benchmark) by fully analyzing its workload drivers, policies and service level commitments and creating the right organization model for the future, reallocating resources to improve the customer experience.⁴

Figure 1: Zero-quartile analysis



A large financial services company realized similar benefits from ZBO approaches. Executive leadership wanted to cut US\$1 billion from its cost base, and ZBO helped the company reset costs and redirect cost savings toward investing in future growth. The company took a clean sheet view of several critical business areas. The process assessed digital capabilities, provided detailed data analytics, evaluated process hierarchies and determined full-time equivalent and associated costs. As a result, the company evolved organizational structures to be more effective in a changing market and customer demand landscape, implementing a new operating model design, cost structure and success metrics.

ZBO shifts talent and resources from value-preserving, non-differentiating capabilities so companies can overinvest in the distinctive capabilities that create new business value and competitive agility. A ZBO approach helped a consumer packaged goods company reset itself to reignite growth. The redesign shifted the company from a federated to a more integrated operating model, eliminating silos and duplication and streamlining non-core activities, while rebalancing investments. This included shifting investment into the capabilities required to win, including innovation, and those that had been neglected, such as IT and strategic human resources.⁵

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Boundaries have disappeared

The right people doing the right work is critical to fuel profitable growth. Yet talent is no longer constrained by fixed workforces, organizational hierarchies, or bricks and mortar facilities and local systems. It is a fluid ecosystem of fixed and variable human labor, bots, virtual and cognitive agents, crowdsourced talent, and customers and suppliers. ZBO designs for this boundaryless ecosystem, not for old, rigid ways of working.

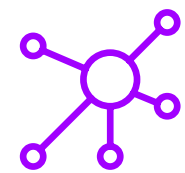
Executives foresee big changes in how work is done and by whom. They expect 44 percent of the workforce to consist of contractor, freelance or internal temporary positions.⁶ And 72 percent think the workforce will shift to multi-skilled employees, while 79 percent say work will be project based.⁷ This adaptive workforce is already making a profound impact across functions and industries. For example, a beverage company is using an app to turn everyday customers into planogram compliance officers.

They are paid to click and send pictures of store displays so the company ensures in-store displays are optimized to support sales. This insight positions the company to get reimbursement for something they paid for that was not implemented in the store.⁸ What's more, digital technologies such as smart sensors are giving suppliers better visibility into customer systems and inventory levels so companies can keep inventory at stock levels without ever placing an order.

ZBO addresses the different competencies needed to manage this diverse, plug-and-play capability ecosystem. An important aspect of this is to incent, measure and compensate leaders on the quality of the outcomes they deliver. Not on the size of the empires they oversee. Case in point: A logistics and freight company created several global process owner roles, moving senior executives from leading 1,500 people focused on delivery to 15 focused on strategy and transformation. Leaders became responsible for outcomes, not headcounts.⁹

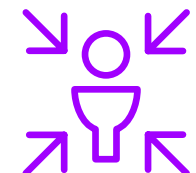
The zero hour is now

Reaping the benefits of ZBO starts with a willingness to think, plan and act differently to create a clean sheet that is truly clean. Leaders must also simplify the organization to empower high-performing individuals. These are the no regrets fundamentals to get started with ZBO:



Be who you aspire to be

Other organizational transformation approaches fast forward to restructuring without determining what work the company should do. They drive change by crunching numbers, not by anticipating markets. ZBO is deeply rooted in the future work routine. That's why the pre-work of revisiting the strategy is so important. If the strategy is wrong, it does not matter if the work is right. The key is to assess the strategy in light of what's happening in the marketplace, being open-minded to changing course. Tomorrow's distinctive capabilities may very well be different from yesterday's.



Design from the outside in

The heart of ZBO is determining what work is happening in the business that is not creating value. Our analysis reveals that 70 percent of time consumed in processes in companies is not directly related to creating value. Turning this around requires seeing processes through internal and external customers' eyes. Is Finance churning out reports that no one reads? Is Sales asking for customer information that they don't need? With design thinking, companies can bring a customer-first spirit to recreate the value chain, simplifying customer experiences and shifting talent to work that drives valued outcomes.



Build it so they come

With a clear view of the strategic direction and the work that matters to customers, companies using ZBO have a lot of firepower at their fingertips to orchestrate the ecosystem that is required to deliver outcomes. Industry-specific analytics create bold targets for "should costs." Elimination, automation, consolidation, standardization, renegotiation, reskilling, and other levers free up time and resources to develop capabilities and competencies that drive the growth agenda. Efforts should focus within the walls of the organization and also at the touchpoints with ecosystem partners.

Disruption is forcing companies to abandon “always done” mindsets.

They must if they want to win in the future. ZBO can help companies design for growth and profitability, a common sense approach to face the complexity of today’s business environments head on.



Reach out to our authors to see how a new approach to the organization can drive profitable growth.

[Get in touch](#)

References

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