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Zero-Based
Transformation:
**The big
reset**

Accenture Strategy



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Reeling from the effects of the pandemic and facing economic and global volatility, business leaders are ready to hit reset. They're reimagining and rethinking their business, resetting cost structures to drive growth and building resilience amid uncertainty.

Business leaders are in the midst of a perfect storm: record inflation and cost pressures, global volatility, and labor and material shortages. They face lasting, pandemic-driven supply chain disruptions and shifting, unpredictable consumer demands.

How do they navigate through change at a speed, scale and scope that is unprecedented – while still meeting stakeholder expectations and growing the business? The answer for a majority of the 2,000 C-suite executives Accenture surveyed globally: completely transform their business. At the heart of this transformation lies cost. Not cost cutting but rather resetting cost structures and harnessing the full potential of cost transformation—which nearly all leaders (94%) now say is interconnected with their company’s strategic priorities.¹

As companies continue to move beyond survival mode, they’re re-examining all aspects of the business and increasingly focusing on maximizing investments and driving growth. But how are they going to fund these critical new priorities? By reshaping their cost base. In service of these goals, CEOs say they plan to prioritize investments in new business models, customer experience, product and service enhancements, and sustainability practices in their business.²

Despite these ambitions, and earlier experience with transformations, there remains a gap in the returns expected and those realized from such efforts. Only 37% of executives consider their past transformations to be a success, meaning the vast majority of efforts fell short of their expectations. Despite this track record, nearly three-quarters of executives (73%) already have a cost transformation initiative underway or are planning one in the next six months.³ So what’s changed?



Changing forces are forcing changes

What will make this transformation different? Global volatility. Continued economic headwinds. Business shocks. Changing employee demands. All of these factors are forcing executives to seek out every advantage in the current environment and do things differently. And perhaps for the first time, leaders are also practically thinking about transformation differently from the past. Over 90% recognize the need to consider cost as a holistic part of the strategy from the start.⁴ Leaders are prioritizing how to re-align resources to support new business imperatives, invest in capabilities that enable agility and consider cost beyond the bottom line—to include cost to people and the planet as that part of the equation. Also triggering this new mindset? Disruptive events like the pandemic can prompt leaders to change how they think about cost: more than 40% of C-suite executives say they are reimagining the whole cost transformation approach; and over a third (36%) say they are completely rethinking how they perform cost optimization due to the pandemic.⁵

Rethinking resources and transforming costs are now viewed as enablers to capture new market opportunities and gain competitive advantage.

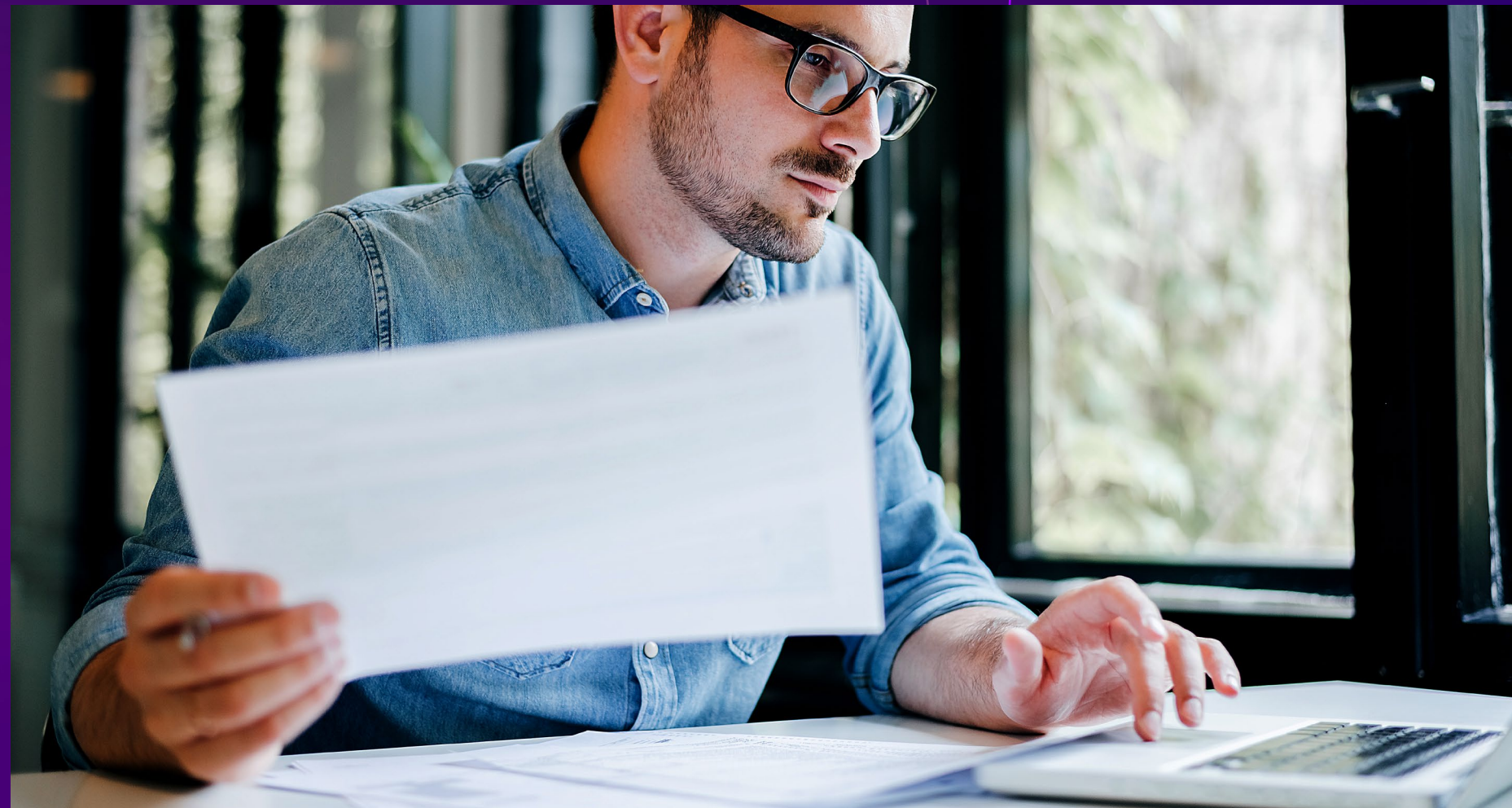
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Transforming cost from the ground up

Today's transformations differ from the past. Signaling the increasing need to compress transformation, 96% of leaders say these initiatives must by definition include most or all of their organization's activities.⁶ The breadth of the transformation efforts also extends to cost drivers they are looking to address; starting with supply chain and manufacturing, direct materials costs, and wages. Given the current cost pressures on these areas, the need to reset cost structures and free up cash flow for investment has never been more timely.

Realizing the full potential of such a transformation is a tall order—and the road to get there begins at zero.

A zero-based approach to cost transformation starts with a clean slate, rethinking cost structures and resource allocation from scratch to enable new business priorities. Leaders recognize they no longer can plan for the future by benchmarking the past. The pandemic and ongoing volatility have made the past irrelevant – customer demand has shifted, supply chains have been disrupted and employee expectations reset.



Signet: Starting at zero, meeting customers wherever they are

Signet Jewelers, owner of Jared's and Kay Jewelers, is a great example. Taking a zero-based approach, the retailer worked to pinpoint costs that didn't add value to customers. By eliminating those costs – including closing underperforming stores and rationalizing its fleet – Signet realized significant savings. **But the real payoff was in reallocating funds where they mattered the most: the customer experience.** Signet invested in beefing up its ecommerce business, delivering on its promise to bring the store to customers, wherever they are.⁷

Going from
zero to a hundred:
**Three areas critical
to success**



Translating insights
into impact:
**Using technology
and analytics for
real-time visibility**



Translating insights into impact: Using technology and analytics for real-time visibility

A successful cost transformation requires new technology that provides visibility and a forensic view of costs to manage day to day and plan scenarios.

Leveraging new technologies has been on the C-suite's to-do list for some time; the pandemic only accelerated its urgency. The majority of leaders surveyed said they are investing in technology including AI, digital tools and cybersecurity to optimize operations (61%). For most (54%), enhancing their analytics capabilities enables them to move to a data-sharing culture and build the ability to analyze operations holistically in real time.⁸

Accenture's research found organizations that were ahead in their digital transformation when the pandemic hit were able to pivot faster and more effectively because they had a clear, accurate, and timely view of demand and their costs. And leaders continue to make gains—growing five times faster than laggards, according to Accenture's recent Make the Leap, Take the Lead research. We also found a group of “Leapfroggers” that compressed transformation, growing four times faster than Laggards, closing the gap with Leaders.⁹

Advanced analytics and other technologies are essential to managing through this time of rapidly changing conditions. They enable monitoring and recalibrating costs in real time, and help ease the additional pressure inflation puts on pricing. Cost forensics that are a hallmark of a zero-based approach identify how the baseline has changed as companies consider new pricing strategies and optimization measures.

For example, a large automotive and industrial product manufacturer undertook a zero-based transformation program that delivered 15% optimization of spend and 20% productivity improvement across functions. But cutting costs wasn't the goal, it was a means to an end: freeing up funds to invest. The savings enabled them to accelerate their digital transformation journey and enhance the digital and analytics fluency of their entire workforce across levels and functions.

As companies brace for the next wave of disruption, they will look to the ability to model scenarios and gain real-time intelligence. For example, looking at the effect of inflation rising to 9% or supply chain disruption continuing, leaders can see the impact to cost, operations and all aspects of their business, enabling them to make informed and real-time decisions such as adjusting prices or other levers across their business and ecosystem.





Talent:
**Engaging employees,
changing culture**



Talent: engaging employees, changing culture



The success of any change comes down to people. For change to stick, you need employees on board and a culture that supports it over the long term. Executives are keenly aware that it's critical to bring everyone along on the journey.

But when it comes to transformation initiatives, not all employees are on board, according to our recent research on the mindsets of leaders. In fact, the greatest disconnect is often among those closest to the top – the executives expected to help lead the charge.¹⁰

Indeed, most executives (88%) cited strategy and leadership as a barrier, citing conflicting business priorities, lack of strategic vision and resistance at the leadership level as key obstacles to change. In addition, almost 60% of those surveyed identified employee resistance or misaligned organization culture as an issue.¹¹

Leaders recognize their transformation efforts need to engage employees from the beginning in order to impact behaviors based on specific mindsets. Transformation cannot be something that happens to employees. It needs to happen with them.

Talent: engaging employees, changing culture

In addition to employees at all levels being key to the transformation, the transformation may be key to their job satisfaction. Nearly seven in 10 executives (67%) surveyed said one of the biggest employee benefits is that transformation creates an opportunity for them to grow in their careers and take more ownership.¹²

A zero-based approach to transformation is a powerful way to foster employee engagement while making work (and companies) more attractive to employees. It considers what a company's strategic goals are and then, with a clean-sheet view, looks at what resources the company needs—and where—to achieve those goals. It also looks at what work needs to be done, who's doing the work and how workforce models have evolved during the pandemic. For example, a clean-sheet view can help companies identify ways to shift repetitive tasks and administrative work – a major source of employee burnout – to automation or outsourcing which, in turn, frees up employees for reskilling and new opportunities in vital roles with more interesting work.

The benefit is twofold: First, it enables a company to retain employees and do more impactful work with fewer people – critical during the labor shortage when some businesses had to limit their hours or production because they couldn't find enough workers. Second, it generates significant cost savings, which can then be reinvested in growth-generating activities, higher wages and the bottom line.

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Sustainability:
**Considering the
cost to society
and the planet**



Sustainability: Considering the cost to society and the planet

A zero-based approach not only can help a business manage through change and fuel growth, it's also an opportunity to do good for society and the planet too. Think of it as breaking away from the fad diets companies have been chasing to get lean, and instead embracing a holistic change to a healthier lifestyle.

Sustainability initiatives typically were considered nice to have, often taking a back seat to growth and profitability. That's no longer the case. In fact, a vast majority of leaders surveyed (92%) state that transformations are no longer only driven by financial considerations, but also need to account for their impact on sustainability and responsible business.¹³

Leaders have an opportunity to make great strides by baking sustainability into the business as part of an overall transformation. Start by quantifying the cost of decisions to the planet and society. By looking at costs through an ESG (environmental, social and governance) lens, a company can gain insight into the impact it is having on the environment and society. Sharing those insights with workers empowers them to support sustainability efforts in their day-to-day decision-making and ultimately become part of the solution.

The fact is, being sustainable doesn't have to cost more—and, indeed, it can lower costs and risks for companies. Companies with consistently high ratings for ESG performance achieved a cumulative return 6.3% higher than bottom performers during the early COVID-19 market turmoil, according to Accenture research.¹⁴

Zeroing in on both the bottom-line impact of spend decisions as well as the environmental and societal impact empowers leaders to strike the right balance between cost and sustainability and engage employees.



Resetting for growth

It's clear from our research that transformation is on the minds of most C-suite leaders— but it's not about survival anymore, it's about growth, resilience and the ability to compete in the future. How can they make this transformation succeed where past efforts have failed? In our experience, four things are key:



Gain forensic, real-time visibility with advanced analytics

Putting data and insight at the core is not new, but now more than ever it is critical to gaining the insights needed to make intelligent, fast and accurate decisions. And, in these disruptive times, it's essential to invest in the right tools and technologies to leverage the power of data to continuously monitor, course correct and control as conditions change.



Start at zero and redesign the business for growth and resilience

When everything has changed, retooling won't cut it. Leaders must reinvent. That requires a fundamental shift, investing in new capabilities and cutting costs elsewhere to fund the change. Start by taking a zero-based approach to consider the tradeoffs necessary, looking at costs holistically across the organization and aligning resources with new business priorities and capabilities. Look outside the organization as well. Ecosystem partners may offer outsourcing and automation solutions that not only are more cost-effective, but enable greater agility to respond to rapidly changing conditions.



Bring everyone along for the journey

Today companies must meet the changing needs of multiple stakeholders—from shareholders who want to see increased profits along with greater responsibility to the planet and society, to consumers whose needs continue to evolve as the global context changes from focusing on pandemic-driven needs to the effects of war and inflation. And employees who are dealing with burnout and rethinking their work life as companies struggle with labor shortages and reskilling efforts.



Make the transformation count

Transformation no longer is a one and done intervention, but a continuous activity. Companies need to focus on building the muscle to manage transformation in a way that ensures benefits endure and continue to build on those strengths. The muscle includes the right governance, data and insight. In addition, it embeds the new ways of working into the company's culture.

Companies today face a truly challenging environment, unlike any experienced in recent history. It's a perfect storm with far-reaching implications that requires an equally expansive approach to rethinking the business.

By taking a zero-based approach to transformation, businesses will be better prepared to weather the next storm that appears on the horizon.

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About Accenture

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About Accenture Strategy

Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise. For more information visit www.accenture.com/strategy

About This Research

In late 2021, Accenture Research conducted a survey focused on understanding the decisive actions executives are taking to fuel growth and resilience of their organizations. The research covered 2,000 executives across 15 industries and 12 countries, including Australia, Brazil, Canada, France, Germany, India, Italy, Japan, Singapore, Spain, United Kingdom and United States. More than a quarter of the survey respondents were Chief Executive Officers (29%) and the remaining sample was equally distributed across Chief Strategy Officers, Chief Financial Officers, Chief Operations Officers and Business Unit Directors. A large majority of executives (95%) were part of corporations of at least \$1 Billion in revenue.

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