Value
untangled

3 keys to pan-European interoperability for new growth and innovation

From insights to action, the path to extraordinary value starts here.

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Interoperability
on the radar

With the launch of the [Interoperable Europe Act](#) in Nov. 2022, Europe has firmly established the foundations of an ambitious plan: using interoperability to improve cooperation on data exchange and IT solutions, accelerating Europe's digital transformation. The project aims to find a way for public administrators to enable the seamless cross-border exchange of data and digital solutions, like open-source software, frameworks and IT tools.

Why now? Because interoperability has emerged as a productivity lever that enables growth in times of demand and optimizes costs in times of distress. In good times, interoperability helps companies innovate and governments deliver better services for their citizens. When times are tough, interoperability helps organizations do more with less, faster and cheaper. With this act, governments in Europe are hoping that increased interoperability will spur growth and lead to more efficient public services.

What's interesting is that this push to develop higher interoperability isn't at odds with Europe's increasing push towards digital sovereignty. While digital sovereignty is increasingly desired by a growing number of companies and countries, stakeholders realize that sovereign doesn't mean siloed. Instead, they are keen to exploit the potential of critical data value chains to create new pools of value. The solution? Making it easier for public and private organizations to securely share data and digital solutions. Interoperability as a concept becomes core to differentiation in this environment. To that end, the Interoperable Europe Act is an essential step to help Europe achieve its digital targets for 2030 and support trusted data flows.

These companies are able to untangle value trapped within their organization, whether it be higher revenue growth (5X), higher cost savings (2X), or faster transformation (5 percentage points more likely to adopt technology and transform business faster).

Creating secure data flows across European countries requires both public and private enterprises to rethink their technology and applications strategy to connect diverse systems. This isn't easy; interoperability goes beyond technology, involving people and processes as well. It is enabled by creating a common language across critical applications and systems, enabling a deeper understanding of data without the cost and effort of building a data lake. But it's possible. Our research shows that 1 in 3 companies in Europe have figured out the secret sauce to enabling interoperability, without spending significantly more. These companies are able to untangle value trapped within their organization, whether it be higher revenue growth (5X), higher cost savings (2X), or faster transformation (5 percentage points more likely to adopt technology and transform business faster). And they are able to race past their peers in good times and bad.

Embracing agility without breaking the bank

Enterprises across the globe have been navigating difficult and uncertain economic environments. In these unpredictable times, they need to quickly adapt to new circumstances and adopt new technologies– within timelines and budgets.

Interoperability can help avoid costly and risky overruns in large transformation projects. With the integration of various enterprise applications and technologies, people and processes, changes in one system can instantly cascade to others without additional effort or time. Also, there is no single point of failure, meaning a failure in one system doesn't disable others. With cost optimization as one of the key priorities in the current economic climate, interoperability helps significantly reduce the cost of transformation.
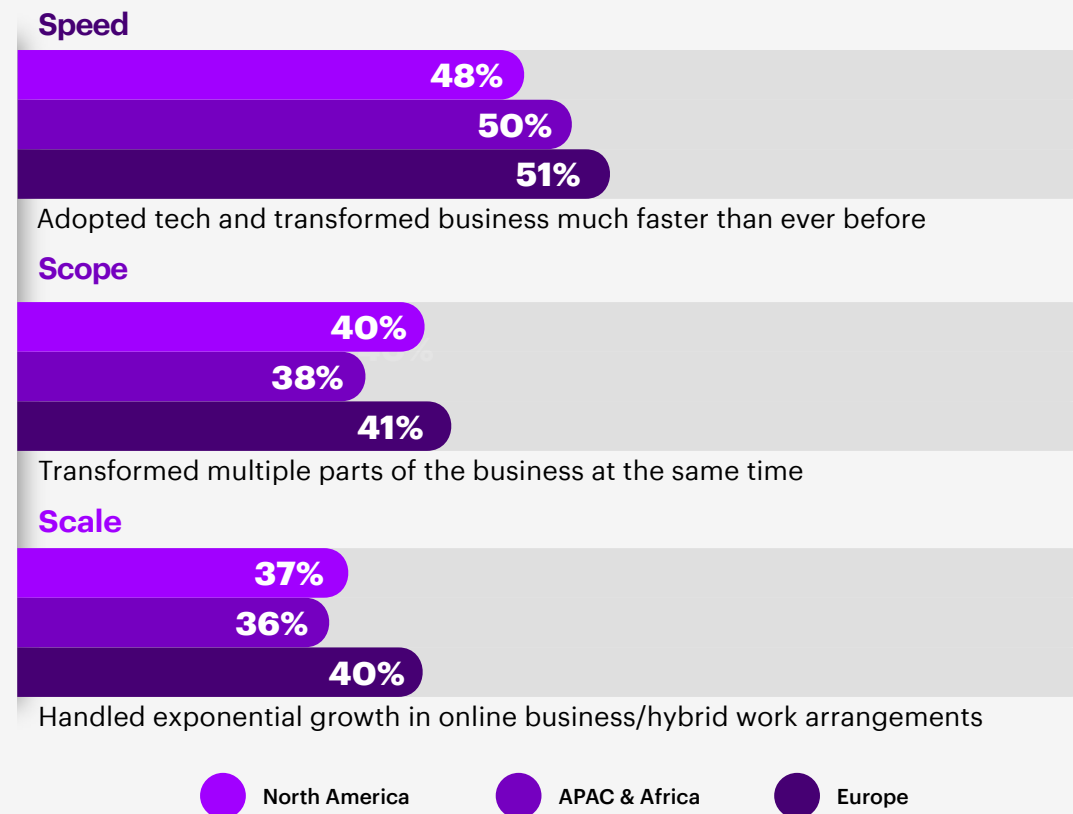
When we surveyed 1,260 C-suite respondents from mid-to large companies in Europe, we found that in the last two years alone, one in two have had to execute a single large transformation much faster than ever before and 40% have had to transform multiple parts of their business at the same time. We call this compressed transformation (Figure 1). The results are similar to their peers in North America and AAPAC (Africa and Asia-Pacific).

The question is:
How did they do it?

Figure 1   **Uncertainty and compressed transformation**

In the last two years, one in two companies in Europe, like their global counterparts, have had to transform multiple parts of their business at the same time or execute a single large transformation much faster than ever before.

During the COVID-19 crisis, i.e., the last 2 years in Europe, my organization has (agree + strongly agree)

Speed

- 48%
- 50%
- 51%

Adopted tech and transformed business much faster than ever before

Scope

- 40%
- 38%
- 41%

Transformed multiple parts of the business at the same time

Scale

- 37%
- 36%
- 40%

Handled exponential growth in online business/hybrid work arrangements

● North America   ● APAC & Africa   ● Europe

N= 1501 (NA), 1193 (APAC & Africa), 1260 (Europe)

Note: The percentages represent an aggregate of respondents selecting "Agree" and "Strongly Agree"

Interoperability: the great unifier

Interoperability defined

Interoperability is when enterprise applications can easily interact with each other and exchange data. A seamless user experience across applications creates a single source of data truth that aligns everyone to common goals, leading to better decision making, human connections and insight generation.

We found that companies with this kind of agility–the ability to change how they work at the drop of a hat–have one thing in common: high interoperability, or the ability to make enterprise applications work in conjunction with each other. Why? Because interoperability integrates critical business applications, turning tangled inputs into a single source of data truth. This leaves organizations better equipped to pivot quickly and take advantage of new opportunities.

And with that agility comes growth. **We found that companies with high interoperability in Europe grew revenue 5X faster than their peers with low interoperability (Figure 2) and are set to unlock an additional four percentage points in annual revenue growth.** It comes as no surprise, then, that winning companies keep interoperability top of mind for the entire C-suite—not just the CTO or CIO.

CXOs need to understand that integrated enterprise applications can enable businesses to move from siloed technology and fragmented data to connected solutions, agility and resilience. Integration brings about true business transformation, creating additional value in meeting customer demands, developing new revenue streams, and competing in the market. But it requires new methods of thinking and working.

Figure 2 **Europe is not lagging behind**

When it comes to unlocking additional growth with interoperability, Europe is ahead of the AAPAC region. European companies with high interoperability unlocked up to four additional percentage points of revenue growth compared to low/no interoperability companies stuck in the technology status quo.

Average revenue growth last FY (in %)

Low/No Interoperability

0%
2%
1%

High Interoperability

7%
5%
5%

● North America   ● APAC & Africa   ● Europe
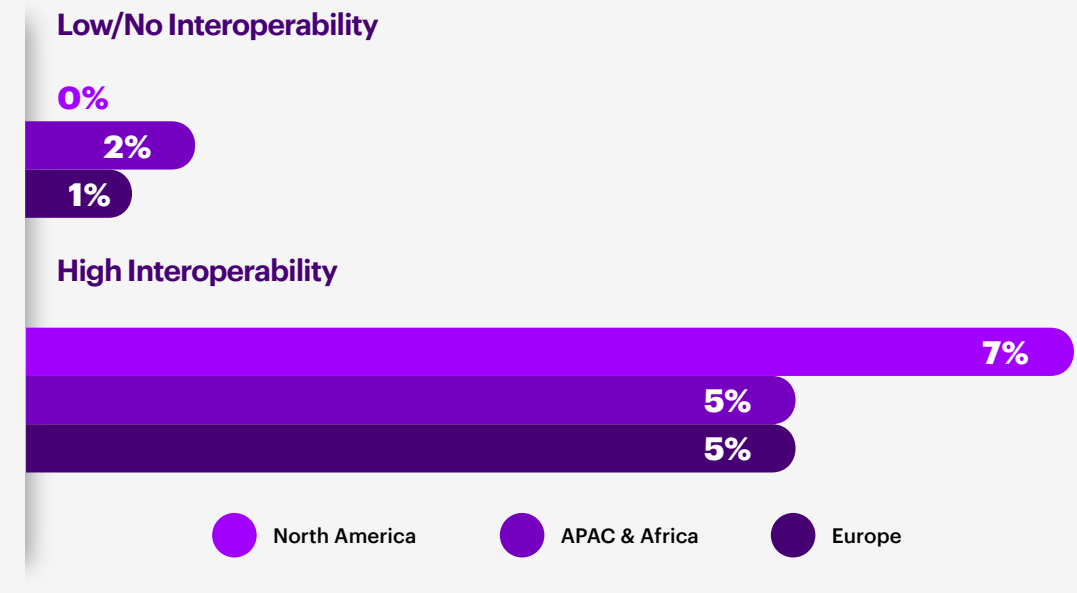
Source: Accenture Research based on Survey data.

Note: Additional growth rates due to increased platform exploration and seamless interoperability are estimates based on an econometric model such as Revenue Growth i= A x medium interoperability + B x high interoperability + C controls + error, in which the baseline is the low/no interoperability group. Estimates include a variety of firm-specific controls including industry, country, size, technology spending and an interaction term between industry and country. A variety of robustness checks have been performed (i.e., scaling revenue growth by industry averages, by previous growth rates and the results holds. Survey sample= 4,053 firms in 19 industries and 23 countries. Revenue growth percentages have been rounded off to the nearest whole number.

Last FY implies the latest annual company financials reported before February 2022.

Interoperability is now in reach

The concept of interoperability isn't new, but the ability to achieve it is. This is due to three technology changes that make it easier for organizations to configure and reconfigure applications as needed without overhauling their digital core:

1. Ubiquity of the cloud:
Many organizations are already on their journey to the cloud, building a common data layer that provides a single source of truth in the process.

2. Improved application design with open architectures:
Modern applications are designed to share data. They have simplified interfaces and support additional capabilities.

3. Low-cost applications:
The large number of specialized applications on the market has reduced the cost.

Our research finds that only about one-third of companies (34%) in Europe are capitalizing on these technological advances to untangle the value trapped within their organization. These companies are racing past their competitors because they make high interoperability central to their overall business and technology strategy.

GANT integrates multiple points of sales for enhanced omnichannel CX

Sweden-based global fashion retailer GANT[1] wanted to provide a consistent omnichannel experience to keep pace with changing customer preferences. But in the process, GANT spotted a major missed opportunity. Its website showed queried items as out of stock when they might actually be available in a nearby store. This is a negative experience for customers, and ultimately a profit loss for the company.

GANT proposed a solution called the "Online Store Stock Check" (OSSC) where customers can search for a particular item online and get a list of nearby stores where the item is available.

Projects like the OSSC were critical to meeting omnichannel expectations and GANT knew there would be similar projects in the future. So, the retailer created a foundational architecture with a system API (developed with MuleSoft) running the GANT integration center, which governs and drives the transformation through integrations. It allows GANT to remove complexity from various enterprise systems and make them interoperable to ensure data is available to different lines of business and entirely new channels, like mobile or in-store kiosks. GANT can also reuse assets across projects.

Because the retail industry is so dynamic, time was of the essence for GANT to implement these omnichannel features. Thanks to its foundational architecture and reusable assets, the retailer rolled out the OSSC solution across five different markets three times faster than if it had used traditional point-to-point integration.

Barriers to
interoperability

Today's business and technology landscape can make reaching high interoperability a challenge precisely because it can become a tangle very quickly.

Most large enterprises have more than 500 applications. This number is only going to increase as eight out of 10 enterprises say they plan to buy more from multiple vendors in the next two years. At the same time, 65% say that the number of applications and their associated technical complexities are a barrier to achieving interoperability. The longer organizations in Europe wait to make themselves interoperable, the more difficult it becomes because of their ever-growing technology stack.

What's driving this difficult situation?

First, enterprises have more choices today due to the large number of cloud-based applications available. In the last decade, marketing activity has moved online and onto social media—and the number of enterprise technology providers that cater to marketing has grown by…

53x[2]

The second key factor is that more voices are involved in technology decision making. IDC, an industry analyst firm, believes that as many as 20 IT and line-of-business employees may be involved in technology decision-making processes today.[3]

But having more choices and more voices can be a great thing. It allows organizations to choose tech with the right features for specific processes and differentiate across functions where it matters. For example, fraud detection applications in Banking need to be much more sophisticated than those in Food Retail. And in Healthcare, applications need the strongest data and privacy measures given the sensitive data they handle. Similarly, Consumer Goods companies need applications to enable near real-time social media monitoring so that they can launch new products and adjust current ones as trends quickly change or emerge.

60%

Our research also highlighted that 60% of respondents in Europe are held back from improving interoperability because they struggle to align their application strategy with overall business goals. Another 56% cite lack of buy-in from senior leadership; 44% lack a clear ROI or business case; and 35% believe interoperability is too expensive.

Data sharing remains
a challenge in Europe

To achieve the objectives of the Interoperable Europe Act, the EU needs to ensure that regional data sharing initiatives are successful and receive active contribution from both public and private organizations. However, our survey highlighted that only 9% of enterprises are able to integrate and share data within their industry and only 3% have the capability to do so in their region/country. More than half of European enterprises also highlighted that they don't benefit much from regional data sharing initiatives like Open Banking, Catena-X, 1+ Million Genomes, MELLODY, SkillsData, etc. despite actively contributing to them.

One of the key factors that could improve participation in these regional data sharing initiatives is the opportunity to leverage business and ecosystem relationships for expansion. In fact, 40% of respondents in Europe consider the opportunity to expand relations as one of the top three driving factors. The governing bodies would also need to ensure that they are able to leverage the latest technologies, like blockchain, to make data sharing easier as well as more secure.

Data sharing and integration related challenges are not limited to regional initiatives. When it comes to companies' ability to combine and analyze data generated in their internal/external ecosystem, only 55% can do so with their partner and supplier ecosystems.

Figure 3 **What is your level of involvement in industry/region-wide secure data sharing initiatives in Europe**

We are involved now and contribute, but don't benefit much from the project
51%

We are involved now but don't actively contribute
33%

We are not involved now but wish to be involved in the future
10%

We are involved now and contribute and benefit from the project
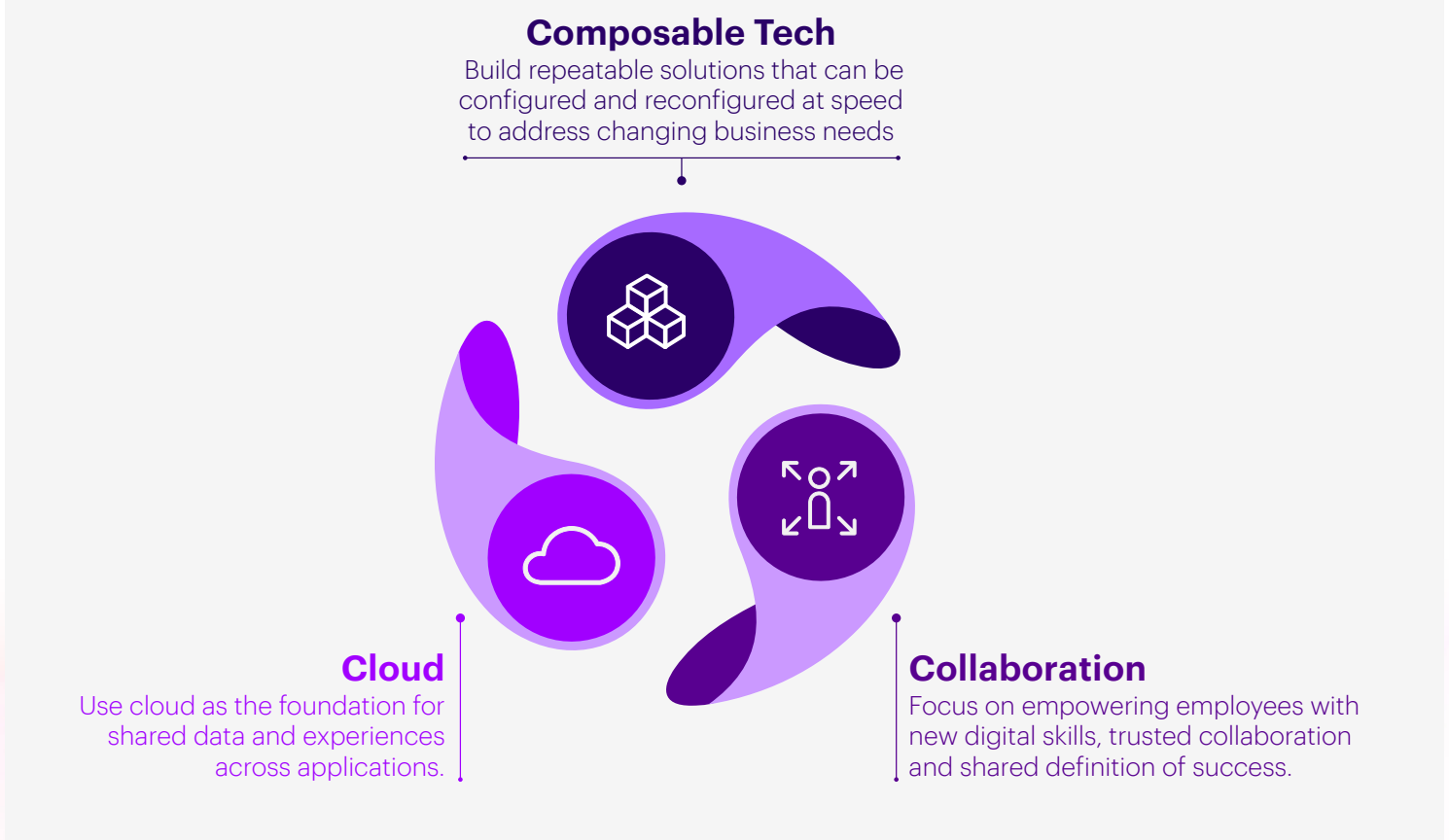**7%**

N=1260

How to improve interoperability
and thrive in uncertainty

Our research uncovered the best practices and common pitfalls C-suite respondents faced on their way to high interoperability, as well as what enabled them to compress their transformation.

Here's what we learned.

Figure 4 **How to improve your interoperability**

To improve interoperability and compress transformation, companies must leverage the cloud, utilize composable tech and focus on meaningful collaboration.

Composable Tech
Build repeatable solutions that can be configured and reconfigured at speed to address changing business needs

Cloud
Use cloud as the foundation for shared data and experiences across applications.

Collaboration
Focus on empowering employees with new digital skills, trusted collaboration and shared definition of success.

1. Leverage the cloud

Cloud is a fundamental interoperability enabler—and it's now ubiquitous. Organizations can use it to hyperscale computing in their core operations and at the edges. With this ability, organizations can pull and query data across the entire enterprise.

Companies that successfully improve their interoperability start by moving existing applications to the cloud and investing in new, cloud-based enterprise applications (SaaS). But more importantly, **they use the cloud to connect data and experiences across applications, creating one version of truth.** Our research found that more than 70% of European companies with high/medium interoperability adopted public cloud and have already migrated more than 40% of their data and workloads. Only 60% of low/no interoperability companies have adopted public cloud, a 10% lag.

Companies with high interoperability also use the cloud to change the way they work. They aim to standardize and simplify the processes modern cloud applications manage—enabling real-time insights and creating strategic agility. Interoperability like this breaks down organizational silos and creates a common thread so that change initiatives can flow to different parts of the organization in parallel, and at speed.

The high interoperability group's confidence in the cloud reinforces findings from our 2021 thought leadership piece, the Cloud Continuum: organizations that use cloud beyond migration and infrastructure to reinvent themselves enjoy better cost savings, speed to market, talent retention and sustainability.

2. Utilize composable tech

Composable tech builds flexibility into the heart of organizations so they can cope with the effects of disruption through faster, better and cheaper transformation. It requires shifting from a technology architecture of static, standalone parts to one of composable pieces.

In practice, this involves using prebuilt, interoperable solutions to swap plug-and-play smaller application components, creating new applications without wider disruption. These solutions are often curated for specific industries and functions and act as a form of future proofing—giving organizations the dexterity to quickly adopt the technologies of tomorrow.

However, the greatest benefit of composable tech may be seamless data analysis and sharing. With data flowing between connected applications, companies can easily share information with the entire organization so everyone is on the same page, creating a common purpose and driving better decisions.

Composable Tech Defined

Composable tech is proven, repeatable solutions that can be configured and reconfigured at speed to address changing business needs. This compresses transformation, setting the stage for rapid value realization.

3. Focus on meaningful collaboration

Any transformation that doesn't include people is bound to fail—interoperable applications are only one part of the equation. Companies need to also focus on building meaningful collaboration. This is enabled by interoperability and happens when functions and people work together seamlessly towards a common goal.

They can use real-time data, analytics and AI, together with new ways of working, to unlock the value of technology, empower people and achieve better outcomes.

Companies with high interoperability have an unwavering focus on improving human connections with trust and skills. They continuously invest in pervasive training, empowering IT and non-IT decision makers to make sound application choices. They also build data-sharing mindsets to prevent data hoarding.

Companies with high interoperability are open to sharing data inside and outside the organization. Decentralized data—where everyone is on the same page—helps companies find harmony. The result is happier, more productive employees who can easily use company data to produce meaningful results, prepare presentations, comply with regulations or simply collaborate. Decentralized data also frees up almost two hours of employees' workdays in productivity alone. **For a company that has 10,000 employees, this amounts to a productivity gain of almost 15,000 hours and $100 million every year.** [4]

A collaborative culture comes from the top: Our research found that more than one fourth (28%) of executives in Europe consider lack of collaboration across business functions as a top challenge caused by low/no interoperability. Leadership can amplify collaboration by drawing up broad use cases for new interoperable applications and challenging employees across functions to solve them as a team—an internal hackathon of sorts. Capital One bank regularly hosts collaborative hackathons to improve customer experiences, where external developers, designers and product leaders collaborate with the wider team.[5]

Ease of data sharing and integration is a key tenet to improving collaboration and this cannot be limited to within the enterprise. The data sharing initiatives need to encompass the supplier/partner ecosystem as well as regional and industry initiatives to ensure seamless collaboration, which is one of the prerequisites of the Interoperable Europe Act.

"[Make] sure you have good people that really focus on collaboration, making sure business leaders really feel part of the decision even though they don't own the decision. And that really is an art."

The CIO of a global bank

Interoperability:
Value untangled

Companies in Europe need to be able to anticipate and respond to uncertainty—supply shocks, economic disruptions, competitive threats or new growth opportunities—as it happens, not when the opportunity has passed. And they should be ready to leverage the regional initiatives to expand business opportunities across their broader ecosystems.

This only happens when everything is integrated and interoperable, from the diverse technologies that power the business to the employees on the ground.

But building and improving interoperability in a diverse application landscape is easier said than done. Luckily, there are ways to position your company for success: leverage the cloud, utilize composable tech and focus on meaningful collaboration with decentralized data and capabilities.

About one-third of companies in Europe are able to develop this level of agility to untangle the value trapped in their organization, racing past their competitors in growth, efficiency and resiliency. Their secret? Using interoperability as the catalyst for total enterprise reinvention.

Methodology

01. Survey

The Accenture survey, completed in Spring 2022, collected data on:

A) Technology ecosystem footprint, including the organization's i) multi-ecosystem journey, strategy, and goals ii) cloud and data footprint iii) state of application integration

B) Business landscape, including i) business structure and transformation ii) reskilling iii) customer and employee experience iv) key challenges.

C) Financial and operational performance via multiple measures

The graphics below summarize the survey demographics for Europe.
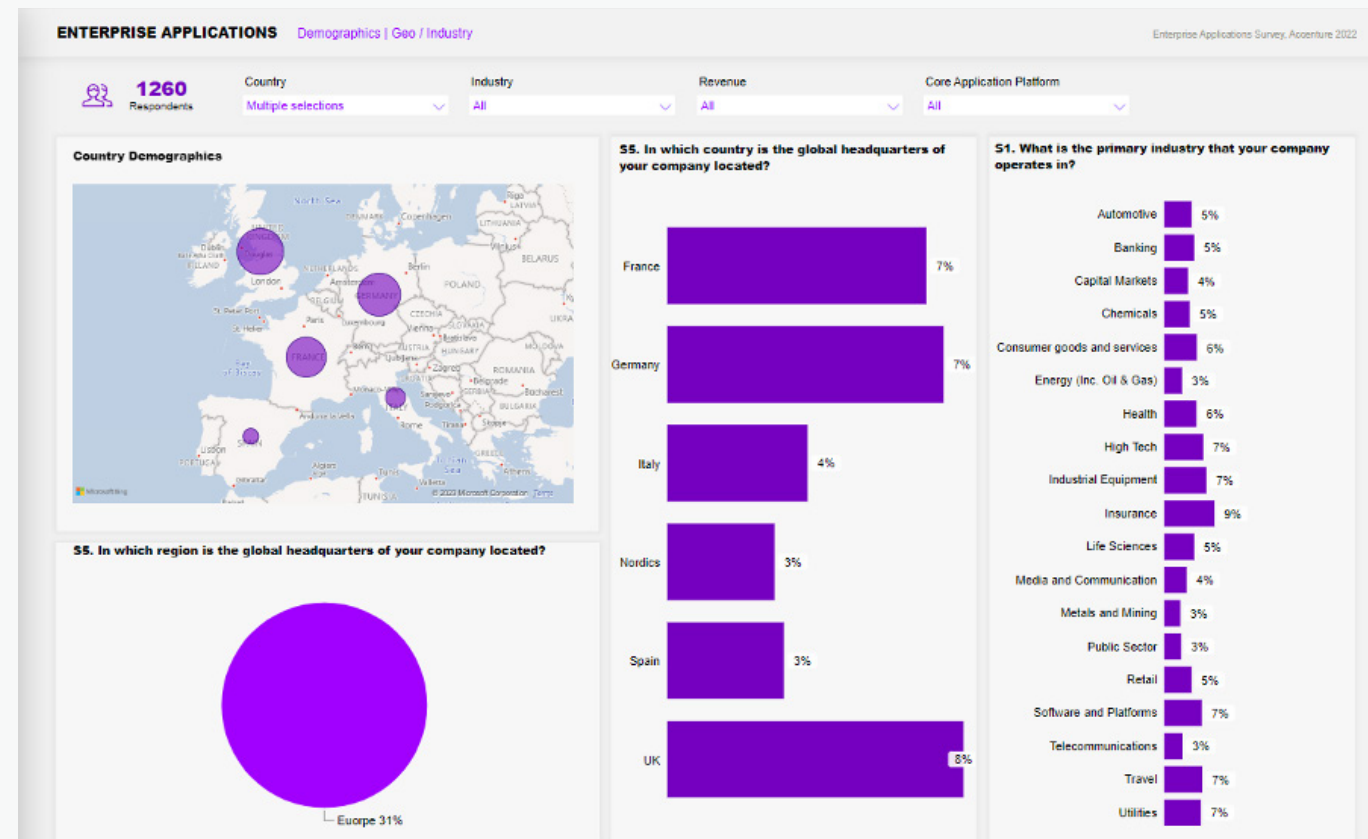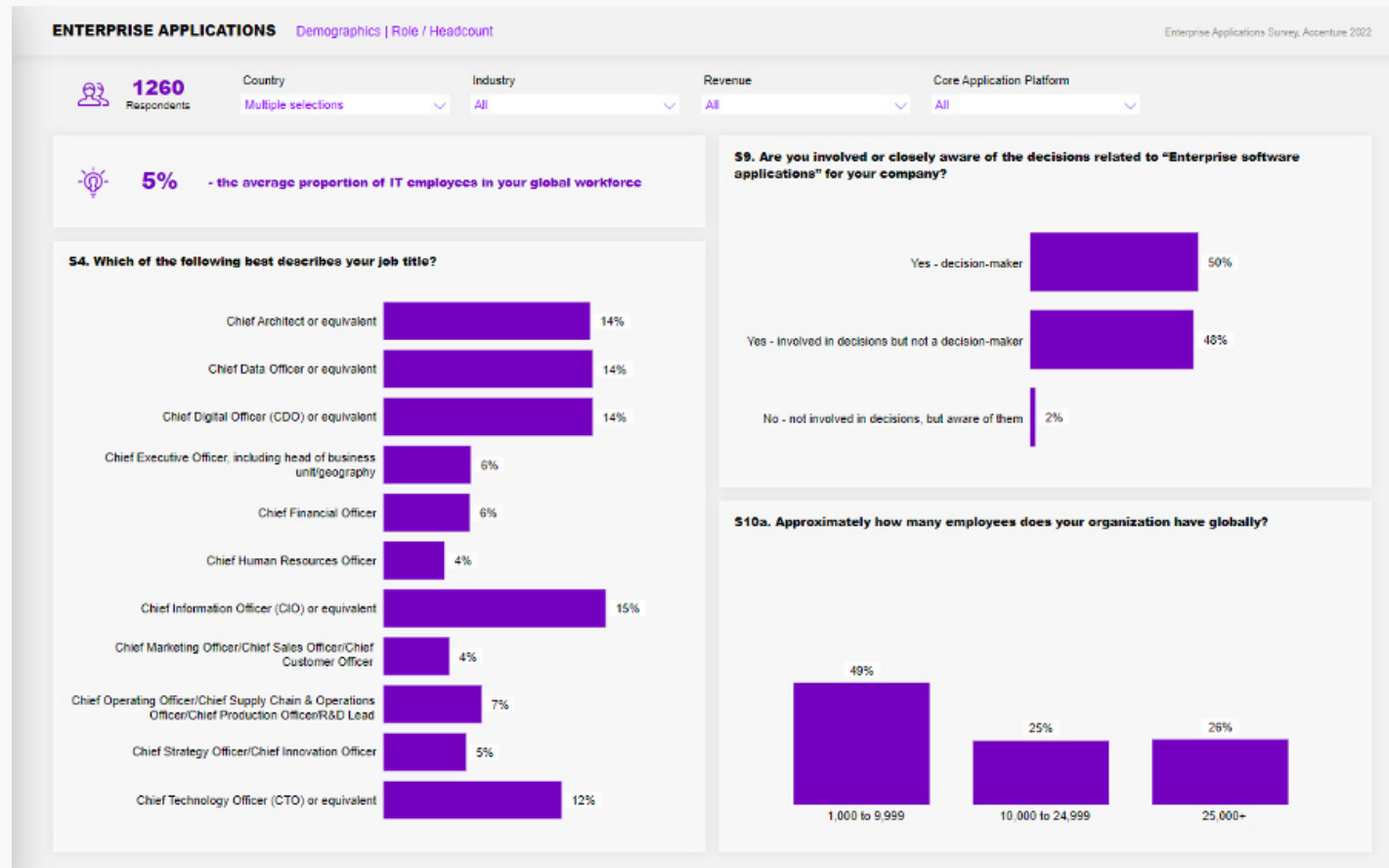
Inference Approach

First, we constructed two indexes,

1) **Diversity:** to assess whether a firm had expanded their ecosystem footprint, measured by whether an organization has increased the number of applications used over the last two years, and

2) **Interoperability:** to assess whether a firm had improved its application interoperability, measured by whether its self-reported application interoperability has improved over the last two years.

Using these two indexes as dummy variables, we grouped all global 4,053 as well as 1,260 respondents in Europe into three groups. The first group, which had not improved Diversity over the last two years, regardless of their Interoperability score, was named companies with low/no interoperability. The second group, which had improved Diversity but not improved its Interoperability was called companies with medium interoperability. The remaining respondents, who had improved both their Diversity and Interoperability were named high interoperability. In Europe, each group had roughly a third of the respondents (~33%, or ~400). In other words, we identified three equal sized groups of companies, one of which was in ecosystem stasis (companies with low/no interoperability), one that was expanding ecosystems but not improving integration (companies with medium

interoperability), and finally, one that was leading in terms of both ecosystem expansion and integration across these ecosystems (companies with high interoperability). We then investigated how being in each group correlates to measures of performance.

Calculation of the Performance Difference

Using the definitions above, we compared the difference in performance between these three groups with metrics such as cost savings, revenue growth, employee productivity, and how successful they have been at achieving business goals, such as reinventing customer experience and achieving efficiency in supply chain operations.

02. Interviews and Case Studies

We triangulated our findings from the survey's large-scale global primary data with 25 in-depth interviews and 40 case studies.

Overall, through secondary research and interviews we collected about 65 case studies focusing on issues organizations face on their multi-ecosystem journeys and the evolution of organizations toward the multi-ecosystem world.

To analyze the qualitative data (QDA) of the 25 in-depth interviews, we leveraged ATLAS.ti[6], a tool that accelerates the QDA by automatically generating deep insights across the interview transcripts.

03. Collective Intelligence via an Enterprise Crowdsourcing Platform

To understand the organizational and human implications of multiple ecosystems, we used ThoughtExchange[7], a qualitative platform designed to bring people together on important topics and gain their collaborative insights. Thirty-five C-suite participants were asked to share their ideas in response to an open-ended question on how their organization increases cross-functional alignment (organizational impact of integration) while preserving the unique features of each function (organizational impact of diversity). Participants shared their own ideas, rated the thoughts others have provided on a scale of one to five stars, and viewed how the thoughts in the exchange were rated by the group.

Through this process, we aimed to surface the practices that are top-of-mind for C-suite executives as a collaborative effort and enrich our storyline.

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    gain with interoperability x Average hours worked per day per employee
    (8 hrs) x No. of employees (10,000) x No. of working days in a year (260)
    x Average wages per hour ($32 as of June 2022 per US Bureau of Labor Statistics)

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