

# AlixPartners Disruption Index

Finding a profitable  
path to growth



Simon Freakley  
Chief Executive Officer

## Letter from our CEO

When I talk to CEOs, the thing that is most on their minds is growth. How can I maintain—or reignite—growth to provide value for our shareholders, opportunities for our people, and investment for the communities in which we operate? This dynamic is hardly new, but the disrupted world in which we live makes it more challenging—because by its nature disruption makes planning unreliable. New threats and new opportunities appear unexpectedly.

I have compared the CEO's role to that of a tightrope walker. You must keep your balance despite the forces buffeting you on all sides, while at the same time maintaining forward momentum toward the future of your organization. What you cannot do is stand still.

In this, our 5th annual Disruption Index, business leaders report overall levels of disruption coming down slightly. After over three years of pandemic, supply chain shortages, inflation, and war, a moderating macro environment is certainly welcome. Leaders also tell us that their organizations are becoming better at adjusting to this new, disrupted normal, and most are accelerating their plans to change their business models in response.

However, the challenges remain acute and are increasingly out of leaders' control. Interest rates and inflation were by far the highest reported threat in this year's survey. Almost two-thirds of CEOs say that they must adjust their strategy because of U.S.-China tensions, and an even higher number are worried about the impact of this year's U.S. presidential elections on their business. Through it all, climate change is accelerating, and technology continues its disruptive march. It is remarkable to reflect that ChatGPT was released just over a year ago.

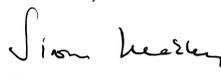
The pressures this creates are intense. CEOs tell us that they are frustrated by what they see as the less urgent attitude of the teams around them. And as technological advancements like AI gather pace, they also worry that they are personally falling behind the curve in terms of knowledge and skill sets needed to successfully lead their organization through periods of such intense change.

Despite these difficulties, some leading companies are managing to find the right balance. About 8% of the executives we surveyed are in the top quintile for growth of both revenues and profits, challenging the notion that there is necessarily a tradeoff between the two. In a more disrupted world, that may in fact be an increasingly false choice. Some of these companies are showing that you can aggressively explore greater efficiency and productivity, while improving customer sales and retention, and growing margins. They are much more likely to be investing more in technology and data-driven decisions, embracing the opportunity of new business models, and training and promoting their employees.

More than anything, they are prioritizing action. Leaders in these companies cite execution and follow-through as the most critical traits needed to respond to disruption.

It cannot be repeated often enough: Disruption is the new economic driver. Winners in this new age will be those who are prepared to meet its challenges and seize its opportunities. I hope this report provides some insight into how best-in-class companies are doing just that.

All best,

  
Simon Freakley

# A world disrupted



Businesses have long had to cope with the impact of business cycles. Now they must address not just cycles but cyclones. Storms spin up seemingly out of nowhere, irrespective of the ups and downs of the overall economy.

Disruption is almost always unexpected. But disruptive forces are often quite foreseeable, though their specific impacts can be a surprise. Take, for example, climate change and the transition to clean energy: It's been 26 years since the adoption of the Kyoto Protocol in 1997, but we continue to learn new things about the nature and pace of climate change. Extreme weather events, for example, continue to catch us by surprise.

Or consider the impact of demographic change. In 2022, China joined Germany, Japan, and Italy in the club of major economies whose populations are shrinking. Labor force pressures, which have been building for decades, have reached critical tipping points across most major economies.

While (at the time of writing) hot wars rage in the Middle East and Ukraine, affecting businesses everywhere, companies also need to contend with a slow reversal of long-term globalization, and make decisions about investment and sourcing amid great uncertainty about geopolitical trends.

And, of course, there's the ongoing, inexorable disruption from the digitalization of just about everything.

It's no wonder 63% of CEOs worry their company can't keep up with technological advancements.

And yet, the findings from our 5th AlixPartners Disruption Index also show that companies are beginning to develop the mindset, tools, and resources to address these issues.

# The AlixPartners Disruption Index

Overall disruption

70  
2021

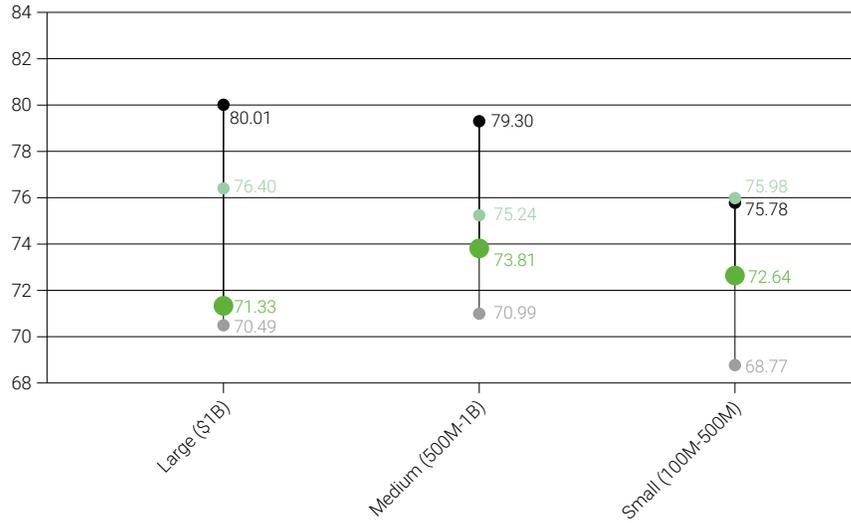
79  
2022

76  
2023

72  
2024

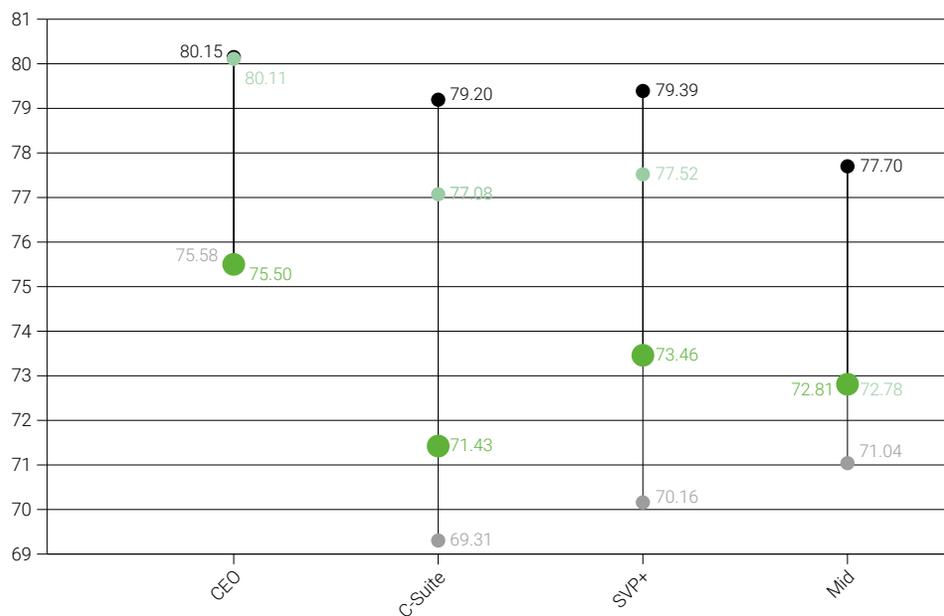
## By Company Size

● 2021 ● 2022 ● 2023 ● 2024



## By Position

● 2021 ● 2022 ● 2023 ● 2024



# The AlixPartners Disruption Index

Overall disruption

70

2021

79

2022

76

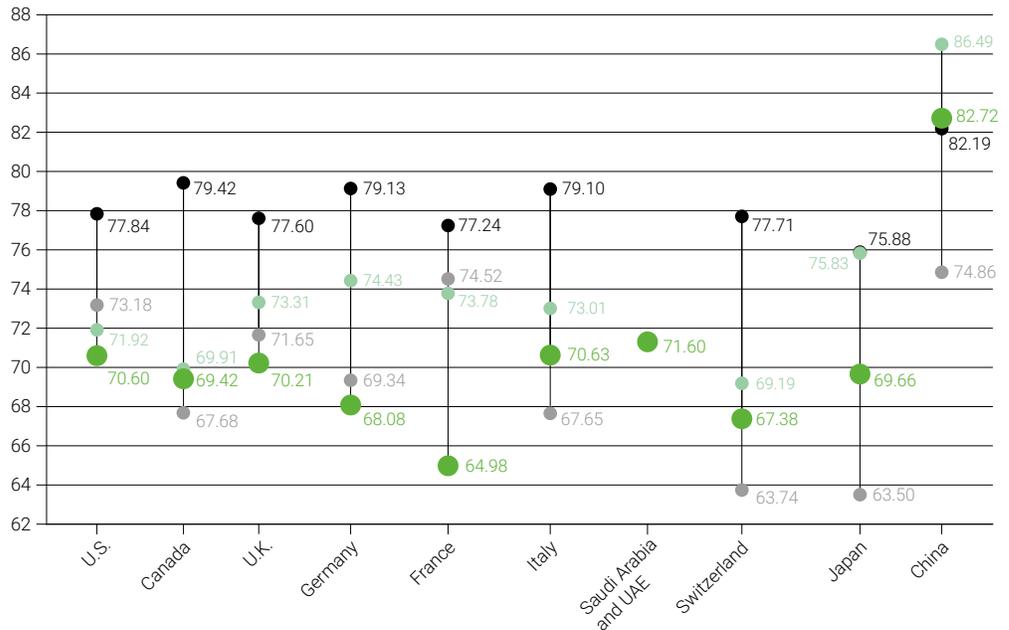
2023

72

2024

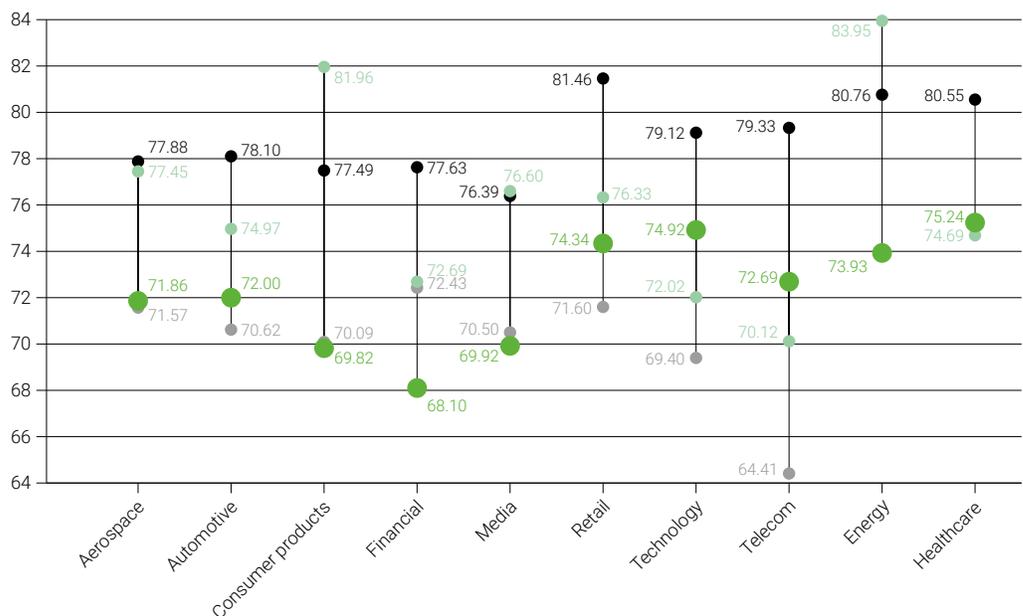
## By Country

● 2021 ● 2022 ● 2023 ● 2024



## By Industry

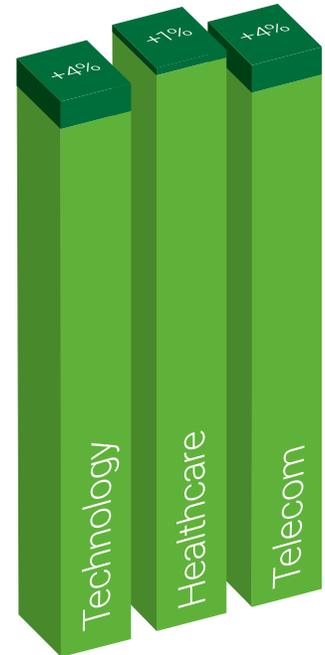
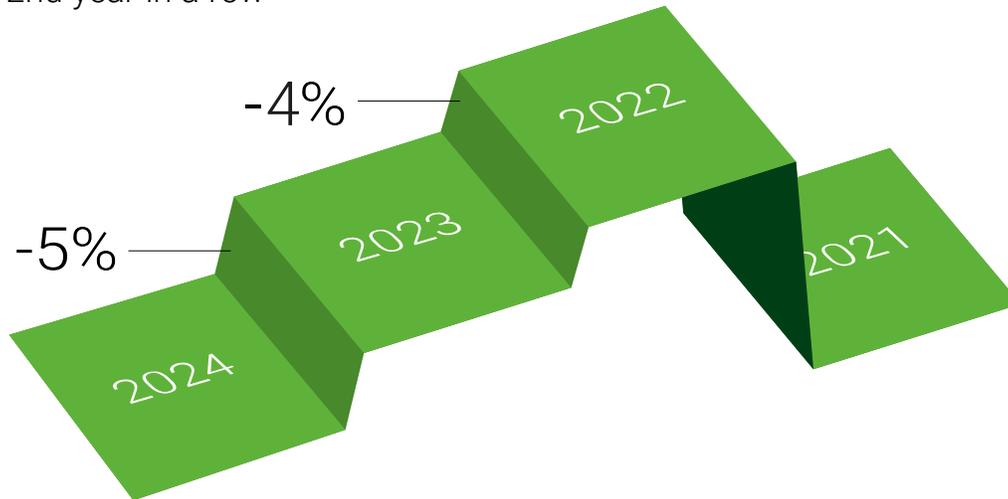
● 2021 ● 2022 ● 2023 ● 2024



# Our findings in brief

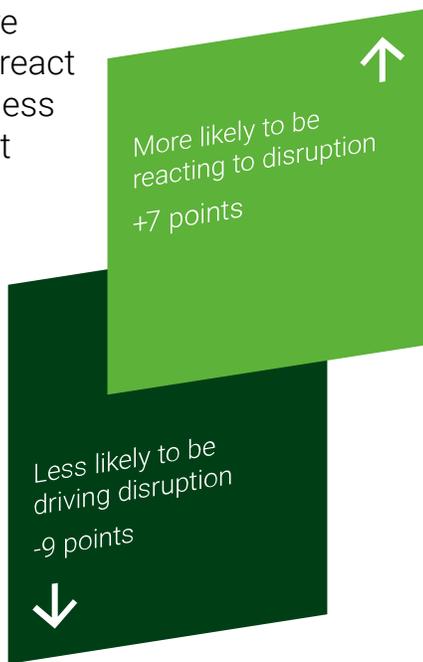
Three industries are higher

Disruption Index down for 2nd year in a row

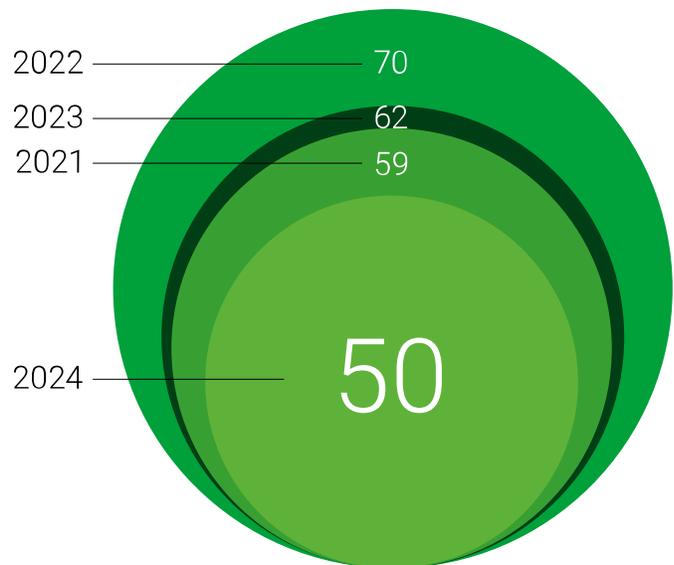


Companies are more likely to react to disruption, less likely to drive it

All references to point changes in responses are year-over-year.



Fewer executives report their businesses being highly disrupted



Near-term volatility & uncertainty down

62%

expect economic growth in their region over the next 12 months

Workforce and supply chain pressures easing

69%

expect same or less supply chain disruption

Factors outside of businesses' control are setting the agenda:



Macro Environment

41% of business leaders report inflation and interest rates a threat



Geopolitical Tensions

66% of CEOs worry about the impact of the 2024 US presidential election on their business

68% of CEOs report US-China tensions are causing them to adjust their strategy



Climate Change

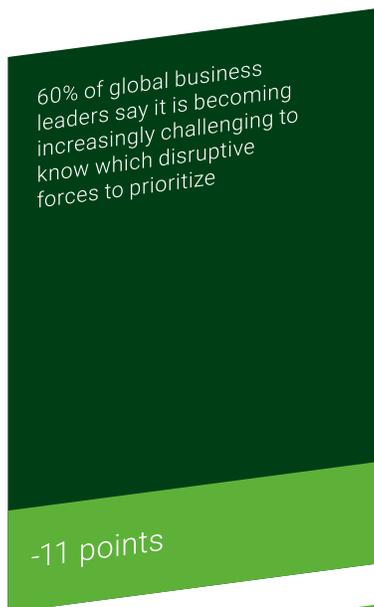
Business leaders feel pressure to take a stand on environmental issues from government (68%); investors (64%); customers (58%); and employees (57%)



Tech Innovation

Generative AI cited by 67% of business leaders as the biggest disruptive opportunity

Businesses report being better at managing disruption



New technologies are the biggest disruptive opportunities identified by executives

Opportunities cited:



Technological advances in materials and processes 68%



AI/Automation 67%



Pervasive connective infrastructure (internet, cloud, mobile, etc.) 64%

Artificial intelligence is the hot topic but most businesses are not sure what to do with it

72%

optimistic about the impact of generative AI on enterprise as a whole

28%

report generative AI is fully embedded into current workflows

59%

currently investing in generative AI

8%

of executives we sampled are growing both their top and bottom lines and investing in both

A few companies are in the driver's seat:

## Growth and profit superstars

These companies are:

### 1. Embracing the challenge and opportunity of new business models

- 63% expect their business models will change significantly in the next year due to disruptive forces
- 18% expect a total business model change (4x the average)

### 2. Investing in the future of their workforce

- 35% offering networking and professional development events (vs. 22% other business leaders)
- 28% investing in upskilling/training to ensure growth over the next 3-5 years (vs. 21% other business leaders)

### 3. Making data-driven decisions

- More than half say they are fully exploiting the advantages data gives them in sales, customer experience, operations, and supply chain

### 4. Acting now

- Cite execution and follow-through as most critical to responding to disruption (30% vs. 23% other business leaders)
- See their personal strengths in execution and follow through (10% vs. 7% other business leaders) as well as energy and willpower (11% vs. 6% other business leaders)

# Five things companies should do

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1.

Put yourself in the right game. Winning companies respond to disruption by asking fundamental questions about where to play and how to win.

2.

Put digital disruption on your side. From AI to analytics, from cybersecurity to the cloud: the still-accelerating advance of digital technology is a threat to entrenched ways of doing business—but it also presents a way to become the agent of disruptive change.

3.

Get the most from your talent. Companies cannot thrive amid disruption unless they can attract the best people, develop and empower them, and create a culture that's agile, engaged, and prizes accomplishment.

4.

Break the tradeoff between profits and growth. Efficiency and expansion aren't enemies—not in a disruptive environment. By taking practical steps to identify, protect, expand, and grow value, the best companies achieve rapid growth on both the top and bottom lines.

5.

Prepare for a business climate with more potential for disruption. Disruption isn't one-and-done; companies need to create the financial, organizational, and cultural conditions that will enable them to thrive in turbulent times.

# Where we are



We live in a world of constant and accelerating change. The unknown and unexpected have become routine. Lightning-fast crises—be they a supply chain disruption, an extreme weather event, or an outbreak of war—meld with longer-term secular changes that are rapidly reaching a tipping point, from technological innovations, to a transforming climate, aging populations, and a fracturing world order.

This environment is transforming how (and how quickly) businesses win and lose. It presents challenges and opportunities in equal measure. The winners will be the ones who mitigate those risks and seize upon the opportunities in time.

In the pages ahead, we present the findings of the 5th annual AlixPartners Disruption Index, based on a survey of 3,000 senior executives around the world. We look at the challenges those executives identify, as well as the behaviors of those companies that are thriving in this disrupted world.

For the second year in a row, the Disruption Index is down overall, as well as in every country and most industries, with the exception of technology, telecoms, and healthcare. Executives reporting being highly disrupted in the last year are at the lowest levels since the pandemic began.

This is in large part because the overall macro environment is improving. One out of three executives expect their national economy will continue in or enter a recession within the next six months. They are less likely to be pursuing layoffs this year than last, and over half are increasing investments in digital tools and technology.

However, factors outside of executives' control are increasingly setting the agenda. Interest rates and inflation are the biggest reported threat by far (indicated by 41% of respondents). A majority (68%) of CEOs say US-China tensions are causing them to adjust their strategy, and two-thirds are worried about the impact of the U.S. presidential election on their business. Even promising new technologies, like AI, which 67% of respondents view as an opportunity for their company, are transforming at a pace that they find difficult to match.

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## Biggest digital opportunities



Technological advances in materials and processes



AI/Automation



Pervasive connective infrastructure (internet, cloud, mobile, etc.)

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## What is disruption?

Disruption is the displacement of businesses, markets, and value networks as the result of economic, societal, environmental, political, regulatory, or technological changes. Technological innovation and adoption, in particular, act as catalysts to accelerate other disruptive forces.

Perhaps as a result, companies report being more reactive to disruption than in previous years. Respondents are 9 points less likely to say they drive disruption in their industry this year (44%) than last, and were 7 points more likely to say they were reacting to it (23%).

They may be increasingly in reactive mode, but they seem to be getting better at it, which is perhaps not a surprise after almost 4 years of pandemic, supply chain instability, worker shortages, inflation, and geopolitical strife. Less business leaders are finding it increasingly difficult to know which disruptive forces to prioritize (60% down 11

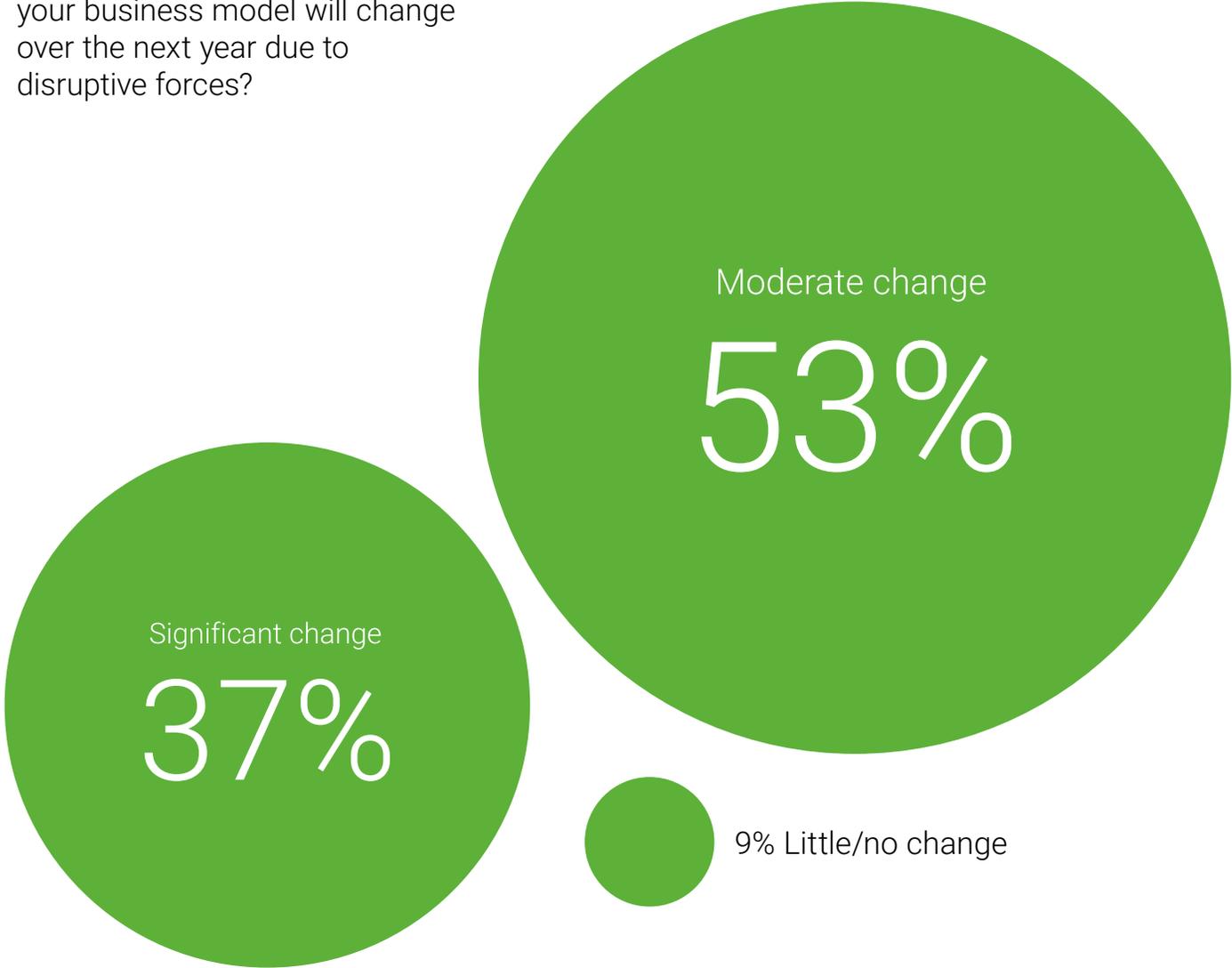
points) and 36% worry that their company is not adapting fast enough to stay ahead of disruption (-19 points). 38% say their executive team lacks the agility needed to combat disruptive forces (-13 points) and 36% say employees at their company tend to be set in their ways and not open to change (-19 points).

Companies are also accelerating changes to their business models in the face of disruption. Over a third of business leaders (37%) expect their business models will change significantly over the next year due to disruptive forces. For those growing revenues and profits fastest, the rate of business model change is almost

twice as high, and 18% expect to see a total business change in the next year.

Artificial intelligence is the hot topic on nearly everyone's agenda, but most businesses aren't sure what to do with it. New technologies are the biggest disruptive opportunities identified by executives, and AI was identified as the most important digital issue to address in the next 12 months, which we will detail further in this report.

To what extent do you expect your business model will change over the next year due to disruptive forces?



# Disruption and the CEO

Like a skyscraper in high winds, which sways more the higher up you are, disruption is felt most keenly at the top. CEOs (296 of them, 10% of survey respondents) report higher levels of disruption both for their organizations and for themselves in their role. They are also more determined to respond to it aggressively, and frustrated by what they see as the less urgent attitude of the teams around them.

Nearly two out of three CEOs report a high level of disruption for their company (65%), compared to 49% of non-CEOs; just 12% of CEOs say disruption has been low, vs. 31% for those not in the corner office. The biggest difference: CEOs are much more concerned with disruptions in the company's relationship to society and its customers. This is understandable: As Peter F. Drucker said, "The CEO is the link between the Inside, that is 'the organization,' and the Outside of society, economy, technology, markets, and customers." CEOs and the

people who report to them feel roughly the same impact from AI, cybersecurity, even regulations. CEOs feel the heat of interest rates more and are more impacted by long term disruptive forces like shifts in income distribution. But the biggest difference is in the relationship of the company to society and its customers. Not only do CEOs feel more disruption; they see their role as pushing their teams to respond with the urgency they feel. It's as if, from their swaying perch atop their organization, they view the disrupted landscape in brighter colors. They are about twice as likely to say their companies always drive disruption in their industries (30% say so, compared to 17% of non-CEOs), but they are also about twice as likely to say the reverse—that their companies almost always react to it (11% to 5%.) Fifty-six percent of CEOs foresee significant change in their business model over the next year; among non-CEOs, the proportion is 35%.

Given these different perspectives and expectations, it's no wonder that CEOs feel their organizations don't get the picture.

## CEOs feel disruptive pressure from outside the company more intensely

(Percent saying their companies has been impacted by disruption from various sources)

	CEOs		Non-CEOs
Presidential / government elections	44%	>15%	29%
Environmental issues	49%	>14%	35%
Social issues	42%	>10%	32%
Changing customer behavior	47%	>8%	39%

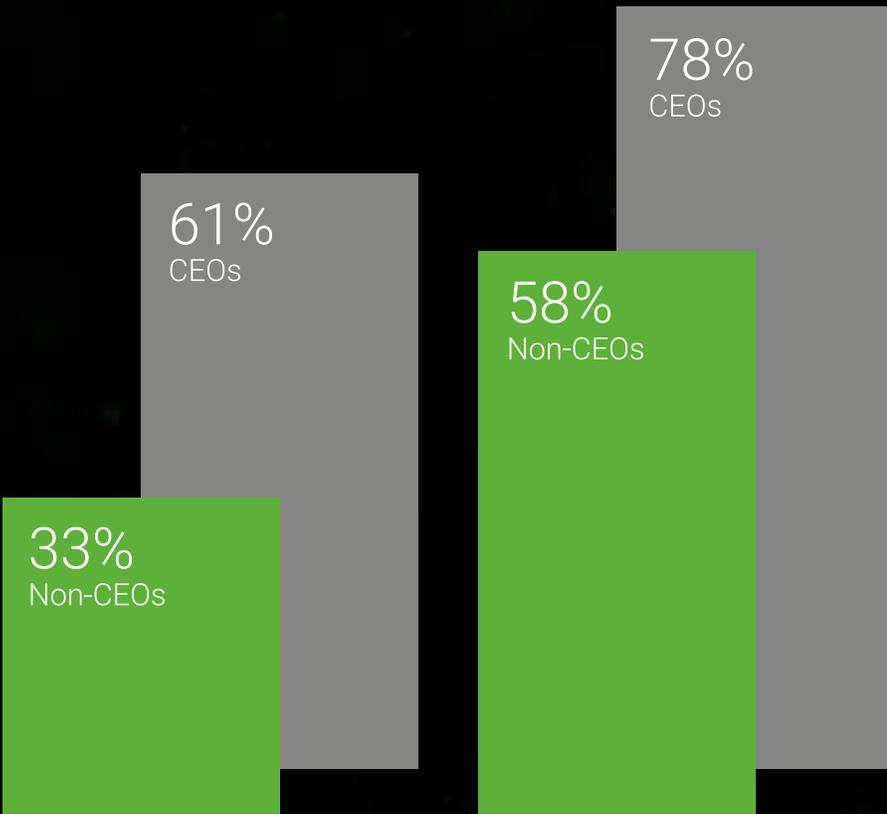
They do, however, believe their boards of directors have their back. More than 90% say their board supports business model changes and that its members have the right knowledge to help them combat disruptive forces. This includes technology; though almost three out of four CEOs complain that their board often impedes the process of adopting new technology, 91% say their boards agree that investing in new technology and digital solutions must be a priority for the company.

When it comes to addressing disruption, CEOs are as hard on themselves as they are on the people who work for them. They are twice as likely to fear for their jobs, and more than twice as likely to say they are falling behind in knowledge and skills. Though 93% of chief executives say they have a strong network of personal and professional advisors, almost all of them—88%—say they need more to continue to be successful.



Our executive team lacks the agility needed

Our employees tend to be set in their ways and not open to change



My company is not adapting fast enough to stay ahead of disruption

It is increasingly challenging to know which disruptive forces to prioritize

# CEO anxiety is acute

CEOs are less disrupted this year. They are more confident in their teams and the overall direction of their company and a little less worried about their own jobs. Yet it's clear that the CEO is still in the hot seat, remaining significantly more concerned across a range of topics, compared to their more junior peers.

Note: All percentage differentials are in comparison to average of all executives



# Looking ahead

Vectors of growth in a  
decelerating world

# A new paradigm

The global economy has outperformed many of the direst predictions over the last year, slowing but still showing remarkable resilience. While both the European and Chinese economies have weakened, the United States' has grown unusually fast. In the third quarter, real U.S. GDP growth came in at a 4.9% annual rate, driven largely by strong hiring, wage growth, and consumer spending. South and Southeast Asia promise even stronger performance and could emerge as new growth engines of the global economy. Furthermore,

on the back of tighter monetary conditions, one of the biggest risks heading into 2023—runaway inflation—appears to be coming under control throughout much of the developed world.

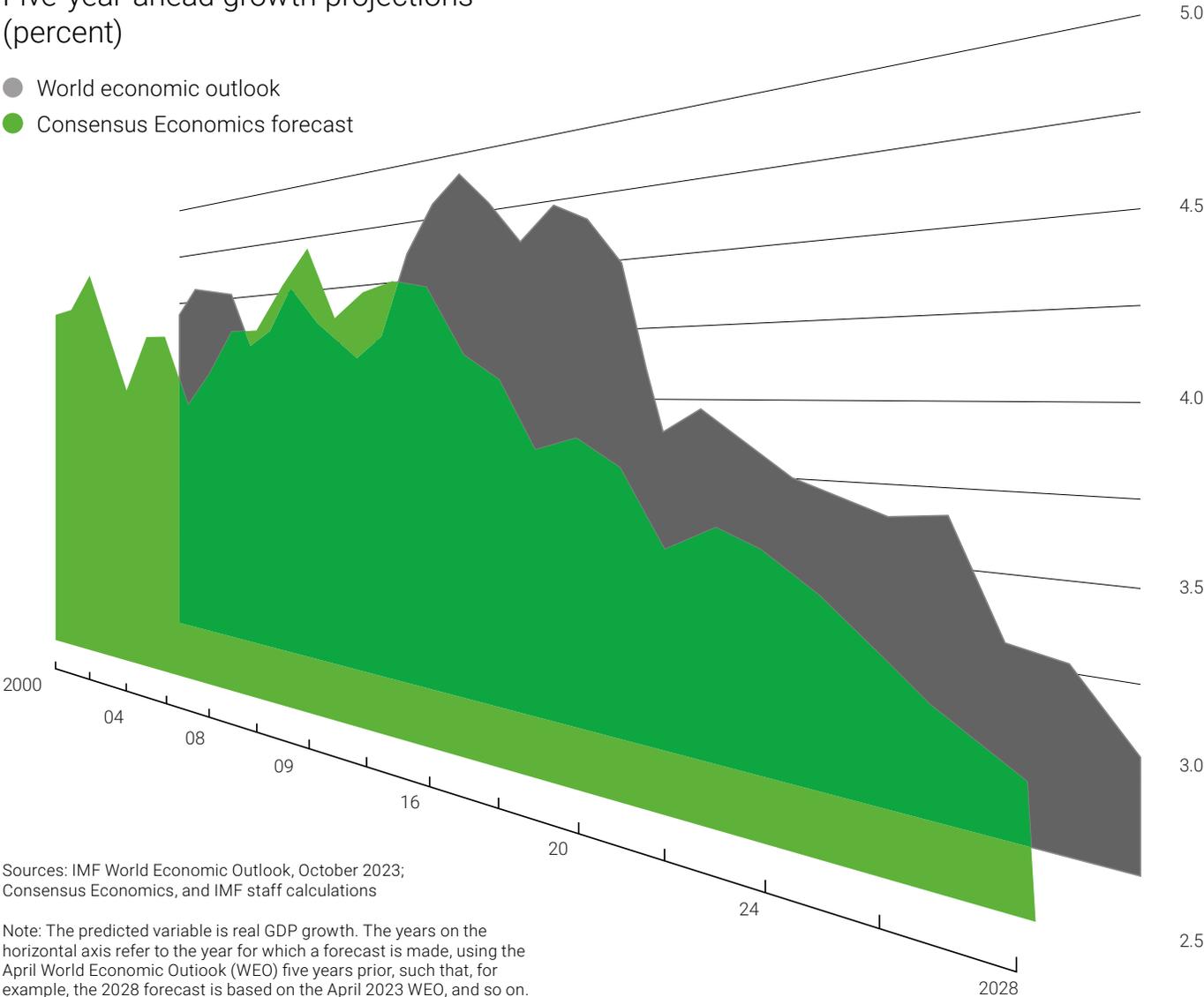
This resilience is reflected in business confidence. In our survey, 70% of CEOs express optimism about the future of their business in the face of slowing economic conditions, and fully 84% expect positive revenue growth for their company over the next 12 months (up 10 points year over year).

However, 54% of CEOs expect their national economy to continue in or enter a recession within the next six months.

The years ahead are unlikely to look much like those we've left behind, and projections for global economic growth are at their lowest in 20 years. The pandemic was, of course, anomalous, and (one can hope) unlikely to be repeated anytime soon. However, in many other ways, we're leaving one type of operating environment and entering something entirely new.

## Five-year-ahead growth projections (percent)

- World economic outlook
- Consensus Economics forecast

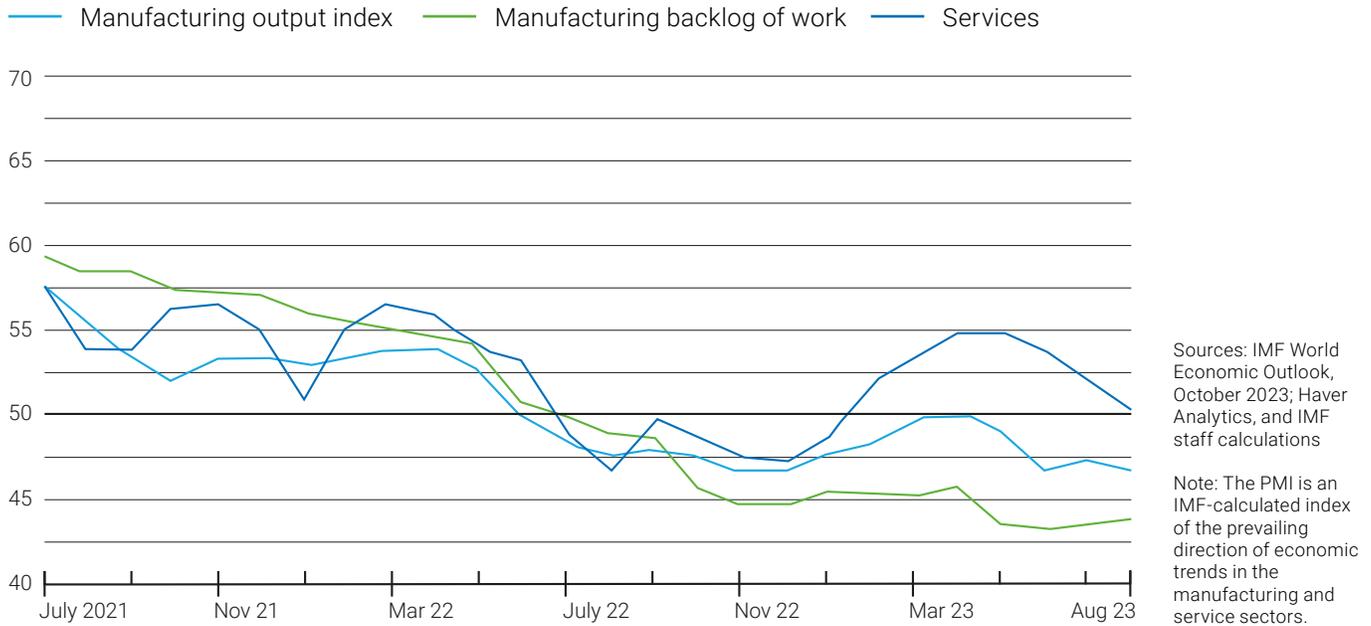


Sources: IMF World Economic Outlook, October 2023; Consensus Economics, and IMF staff calculations

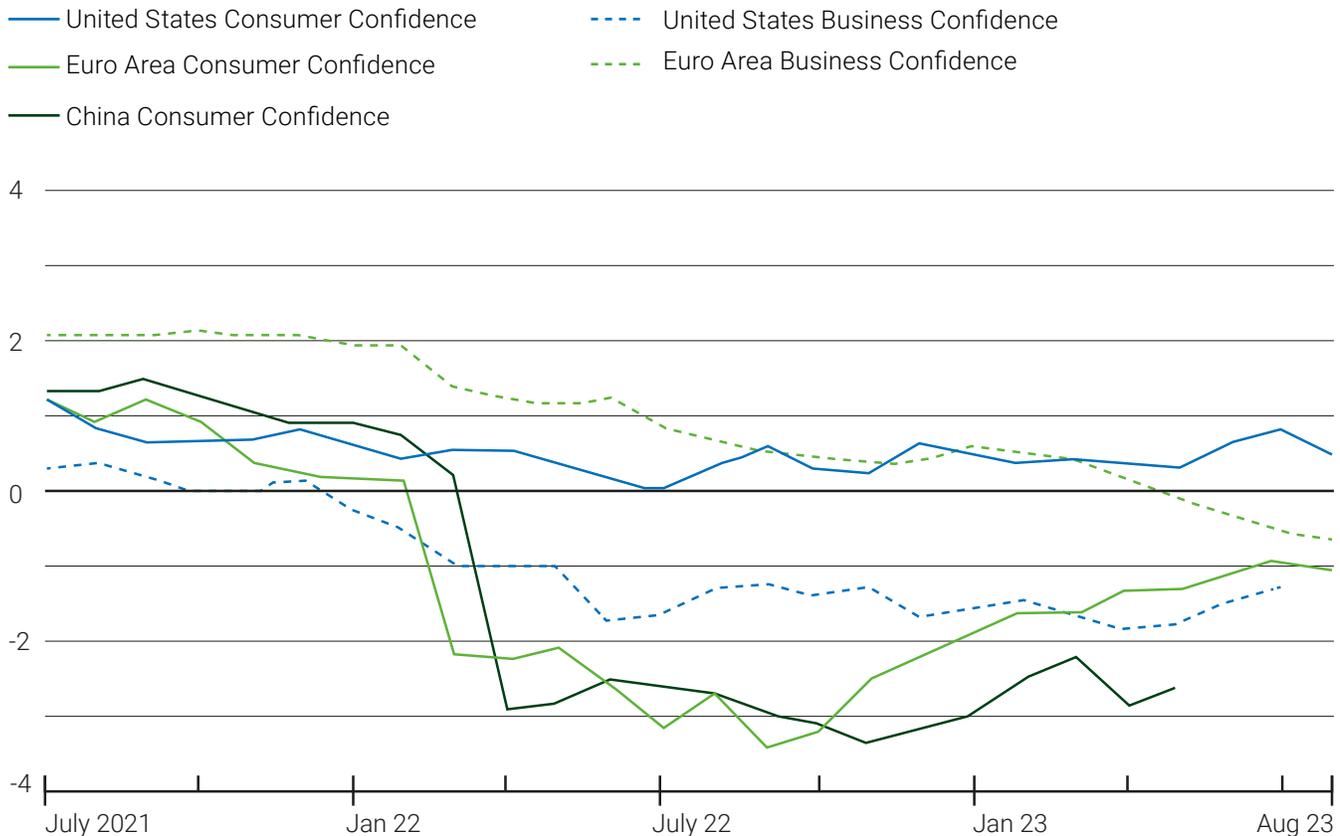
Note: The predicted variable is real GDP growth. The years on the horizontal axis refer to the year for which a forecast is made, using the April World Economic Outlook (WEO) five years prior, such that, for example, the 2028 forecast is based on the April 2023 WEO, and so on.

## Services rebound fading, manufacturing weak (Index, 50+ = expansion)

IMF's Purchasing Managers' Index (PMI)



## Consumer and business confidence still low in advanced economies (Standard deviations from average value)



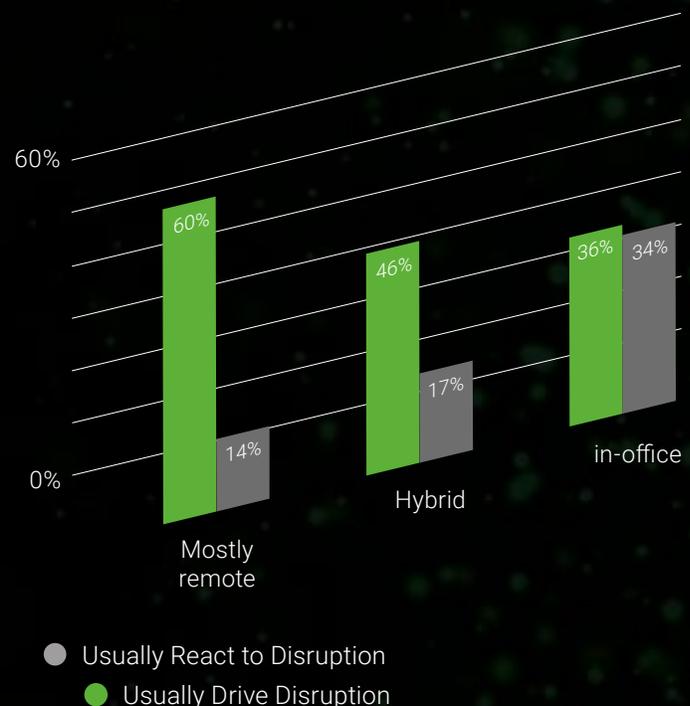
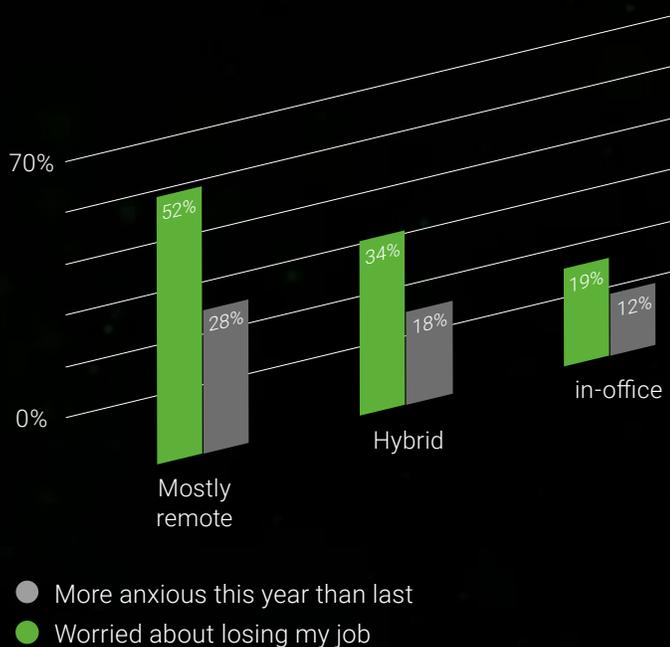
# Anywhere you hang your hat is work

## The novelty of remote and hybrid work has worn off.

Companies are starting to deal with the consequences of their work-design choices. 40% of companies expect their teams to work in-office 5 days a week; 18% are either fully remote with no office space or fully flexible for employees to decide; the remainder have a hybrid model. American companies are among the most likely to embrace remote work (22% either fully remote with no office space or fully flexible for employees to decide), while Chinese companies are least (6%). Less than 4% of consumer products and media and entertainment companies are fully remote, but 6% of financial services companies are.

Companies with mostly remote workforces are more disrupted—and more likely to drive disruption than those with mandatory in-office work models. Companies that are in-office report much lower levels of disruption: 46% report low disruption, versus 23% for companies that are remote models. The in-office crowd is also less likely to drive disruption, or to foresee changing its business model significantly over the next year due to disruptive forces—28%, compared to 46% for the mostly remote-work group. They're also a lot less worried about losing their jobs and less anxious overall. For the others, perhaps much of their business-model change is in the structure of work itself, driven by COVID-19 rather than fundamental shifts in the economics of the business.

## Companies with remote workforces report higher disruption and more anxiety

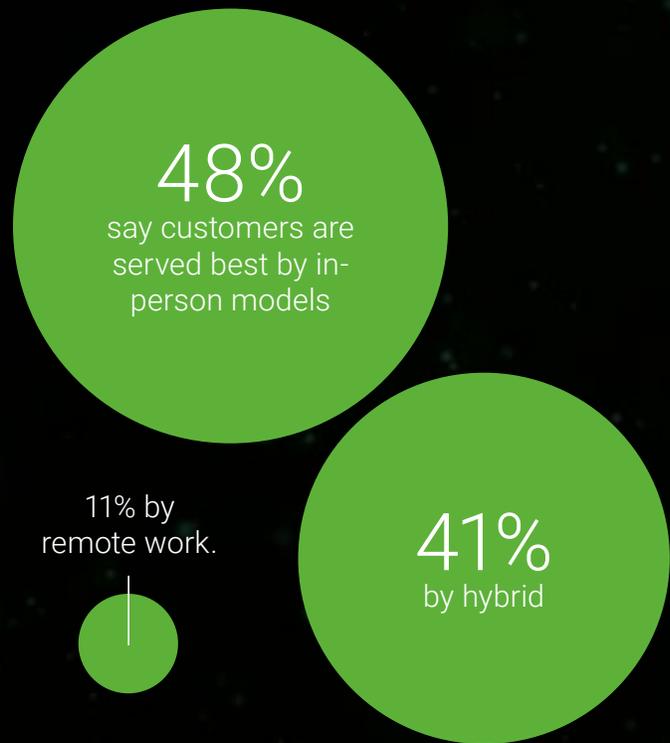


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## Growth, productivity, and customer satisfaction

Are the in-office folks well situated, or just complacent? Those working onsite are generally more risk-averse and cost-focused. The mostly remote group outpaces the others in revenue and profit growth: 32% say their profits grew 10% or more last year, twice as many as both hybrid and in-office companies. They are also more bullish about their industries: 31% of executives in mostly remote-working companies expect significant industry growth in their industries in 2024; only 18% of leaders of hybrid and onsite companies agree.

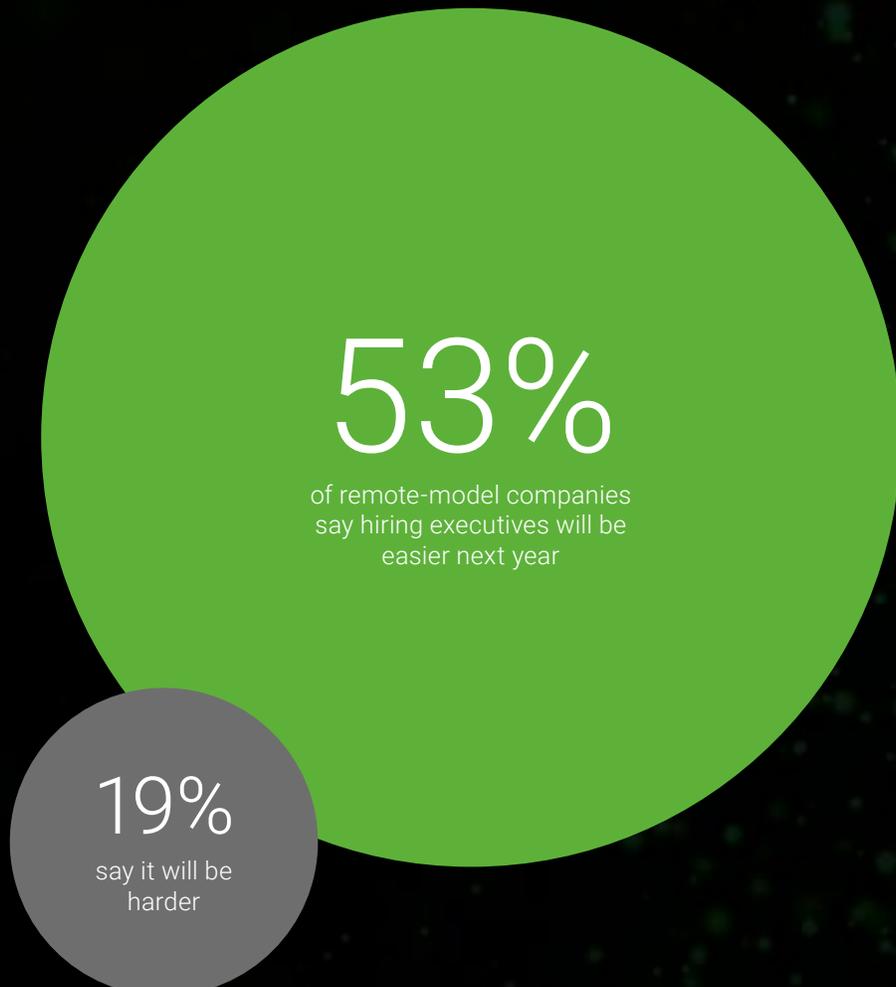
Regardless of their own company's model, a majority of leaders believe in-office work delivers higher employee productivity: Overall, 52% say onsite work is most productive, 40% prefer the hybrid model, and just 8% say remote workers are most productive. Even among remote-working companies, only 20% say that model is most productive. Further, most business leaders overall (56%) believe that remote work models hurt career advancement.



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## The hunt for talent

Executives say it's easier to find talent in a mostly remote model: easier to find managers and technical workers. And much easier to find executive leaders: 53% of mostly remote-model companies say hiring executives will be easier next year and 19% say it will be harder; by contrast, among in-the-office companies, 31% say executives will be easier to find, 33% that it will be harder. There could be several reasons for this difference. Mostly remote-working companies are growing faster, and growth attracts talent; mostly remote-working companies are less circumscribed by local talent markets. But maybe executives just like commuting less.



## The cost of capital

The end of a decade of free money is one of the most dramatic transformations of the past year. For the economy as a whole, higher interest rates will likely prove to be a good thing—enabling more flexibility in monetary policy, and enforcing more disciplined capital allocation.

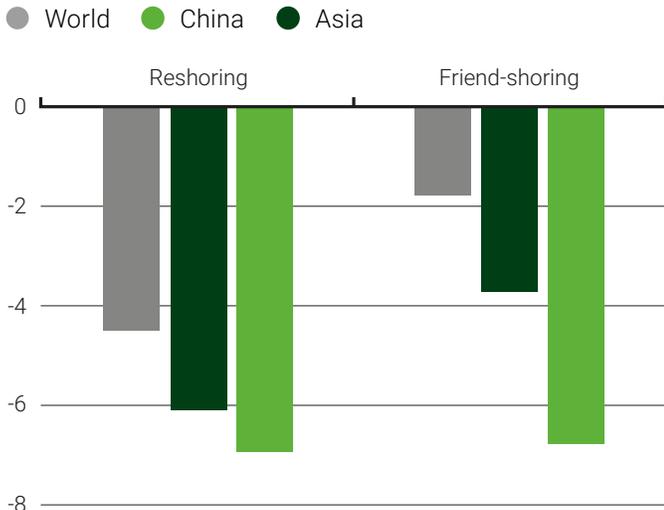
However, this higher-cost-of-capital environment is a profoundly new phenomenon for many management teams and investors. While access to capital has remained generally robust throughout this transition, adjustments to this new reality aren't straightforward and will inevitably restrict growth.

## A changing Chinese economy

Separate from these issues, the Chinese economy is also on a slower trajectory. In part, this is a function of its own success. A maturing economy will necessarily slow to some degree, and its growth since the 1990s has been unprecedented. Some near-term issues—including

its late emergence from the pandemic, and pressures to deflate overvalued property prices—are also weighing on the economy, as is the longer-term challenge of its aging population and shrinking workforce. Given that about 40% of global economic growth over the past 20 years was driven by China, these factors will prove a further drag in the years ahead.

Losses from reshoring and friend-shoring scenarios (GDP, percent deviation from baseline)

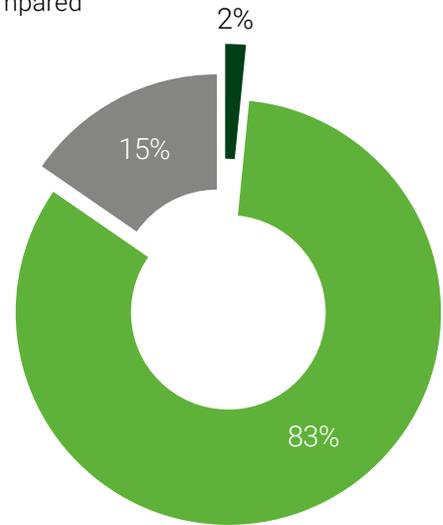


Source: IMF

View of current business climate in China compared to three years ago

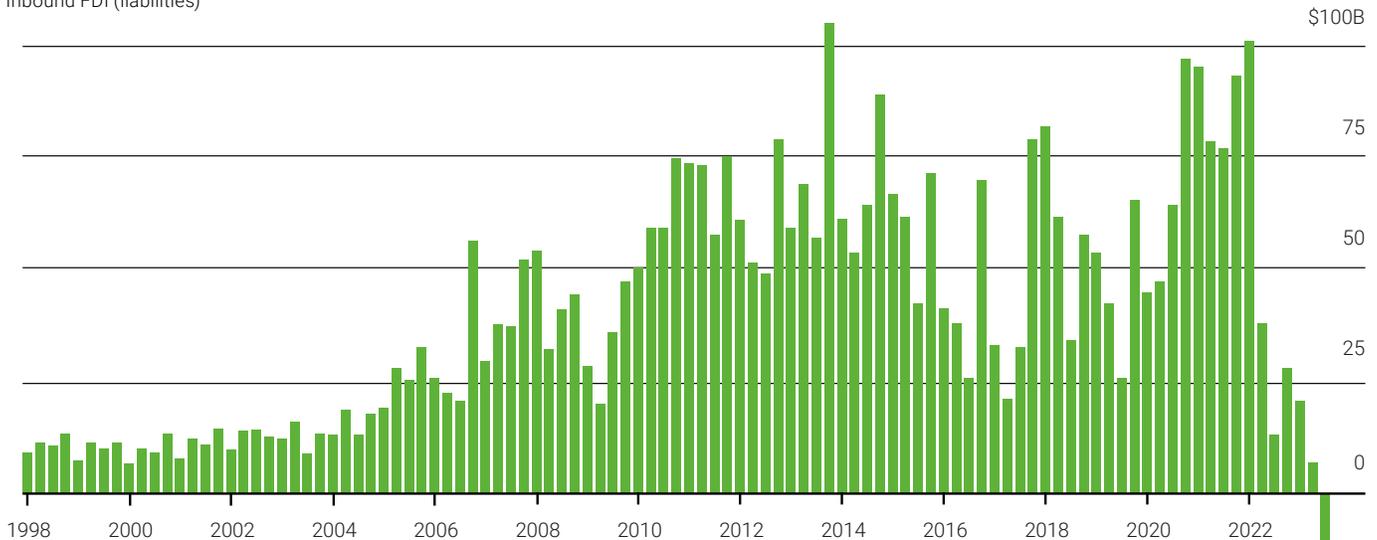
- No change
- More optimistic
- Less optimistic

Source: U.S.-China Business Council Member Survey 2023



## Foreign Direct Investment in China falls for first time

Inbound FDI (liabilities)



Source: China's State Administration of Foreign Exchange

## Geopolitical tensions and deglobalization

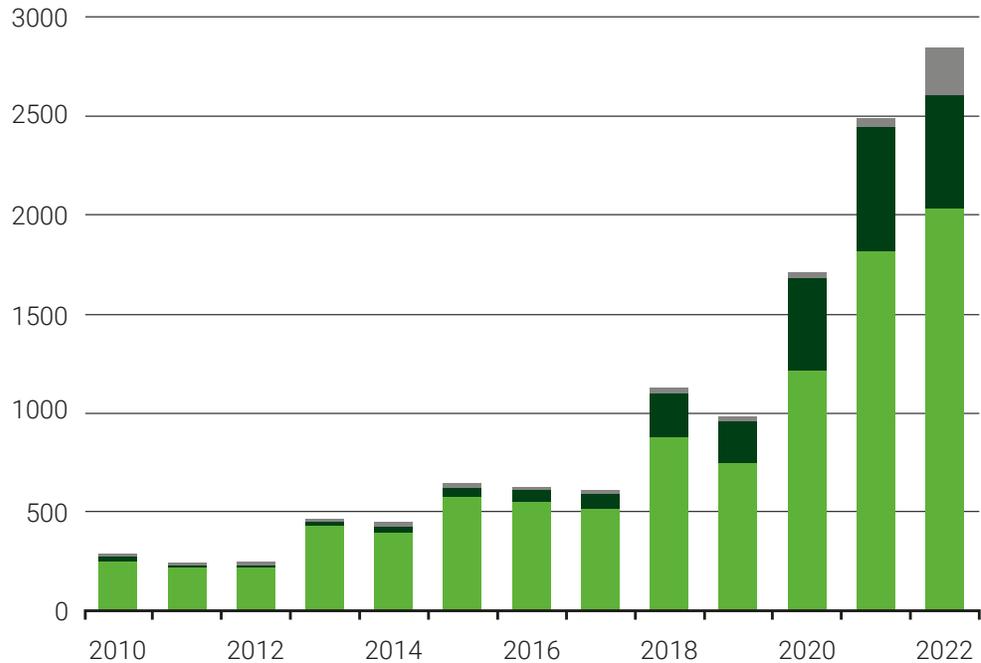
The prospect of a Cold War II between the United States and China is another source of uncertainty and deceleration. While both sides have taken steps over the past year to increase dialogue and tone down rhetoric, tensions remain high. This new world is truly terra nova. Geopolitical conflict in the last cold war was between two competing spheres of influence with little overlap in terms of trade, capital, people, and ideas. With China as the world's largest manufacturer and largest trading partner to much of the world, the current environment is decidedly different, and the notion of competing spheres of influence

seems unlikely. However, we are seeing trends toward more regional patterns of trade, and governments and businesses alike are considering greater near- or friend-shoring for future investments. Large companies are deeply connected across the global economy and flows of international trade and investment will remain strong. Tensions, tariffs, industrial policies, and restrictions on materials or components considered critical will cause other companies to reconfigure their supply, production, and distribution networks.

Number of trade restrictions imposed annually worldwide

- Investment
- Goods
- Services

Source: Global Trade Alert and IMF



### US imports have diversified away from China

Change in market share of US imports for top importing countries (2017-2022) in percentage points



Source: UN Comtrade | Reuters, Sep. 27, 2023 | By Riddhima Talwani

Working-age populations  
(Percent of population)

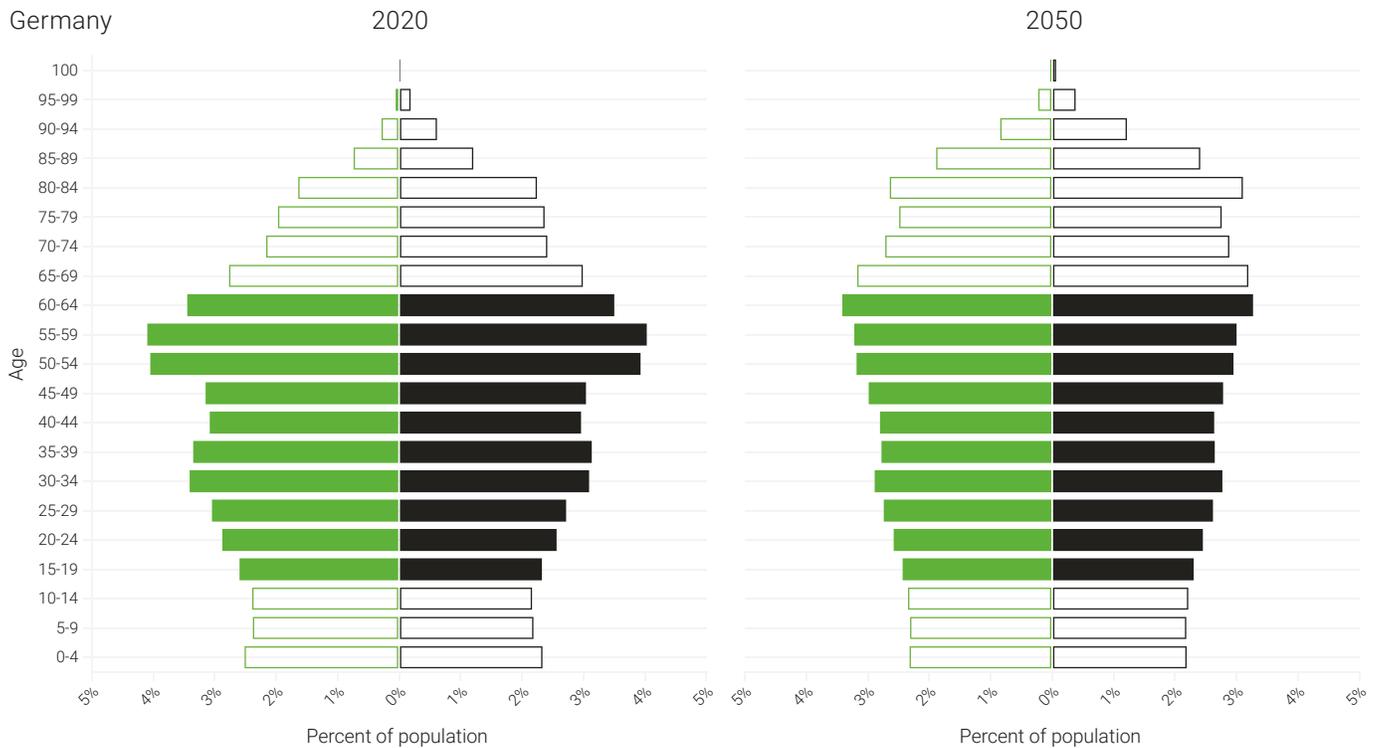
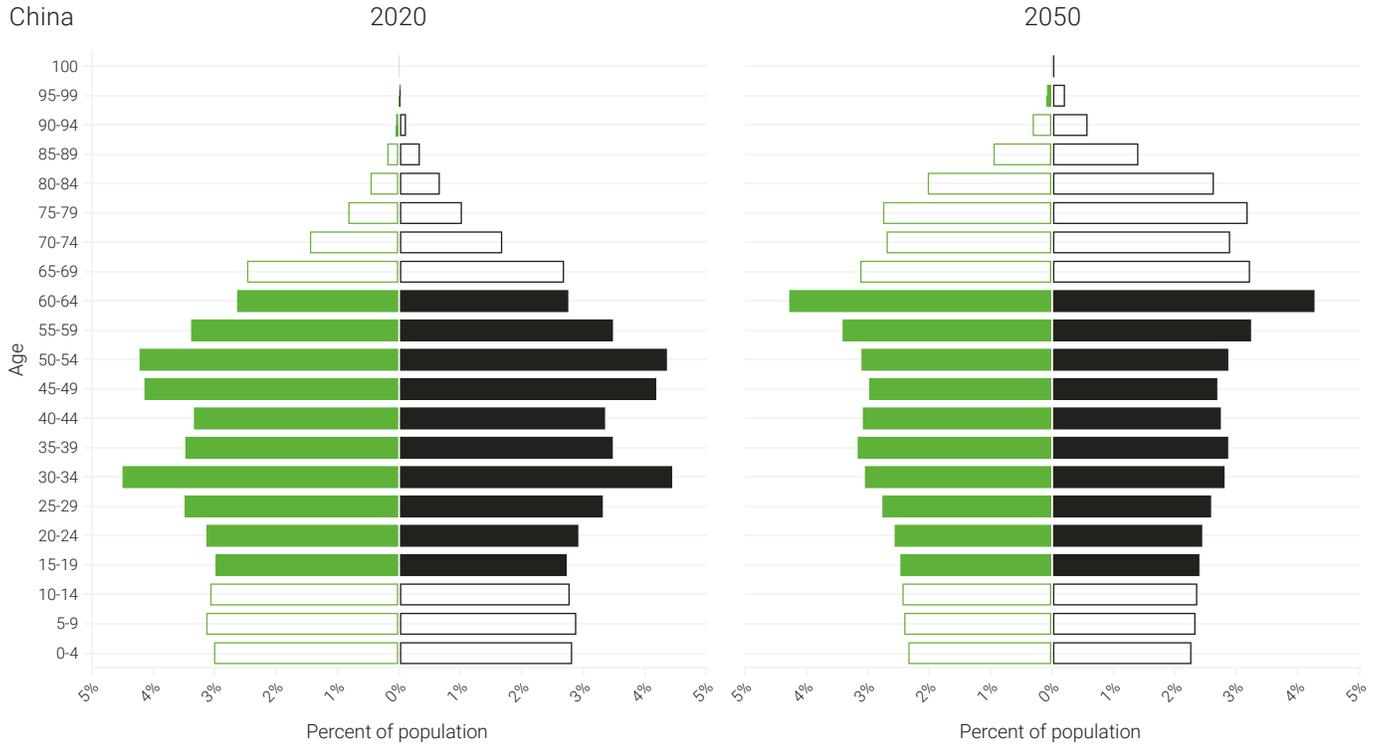
- Working Age Male
- Working Age Female
- Male
- Female

Source: UN World Population Database

Aging populations

Aging populations will have a depressive effect on growth throughout the developed (and increasingly the developing) world. While a growing population is not, in and of itself, a recipe for economic dynamism, it does facilitate it—particularly if that population is sufficiently educated and can be employed

productively. That was the recipe for China's early success, taking its vast and underutilized rural population and directing it toward export-led manufacturing growth. Whether that model can be replicated is an open question, but the only regions with



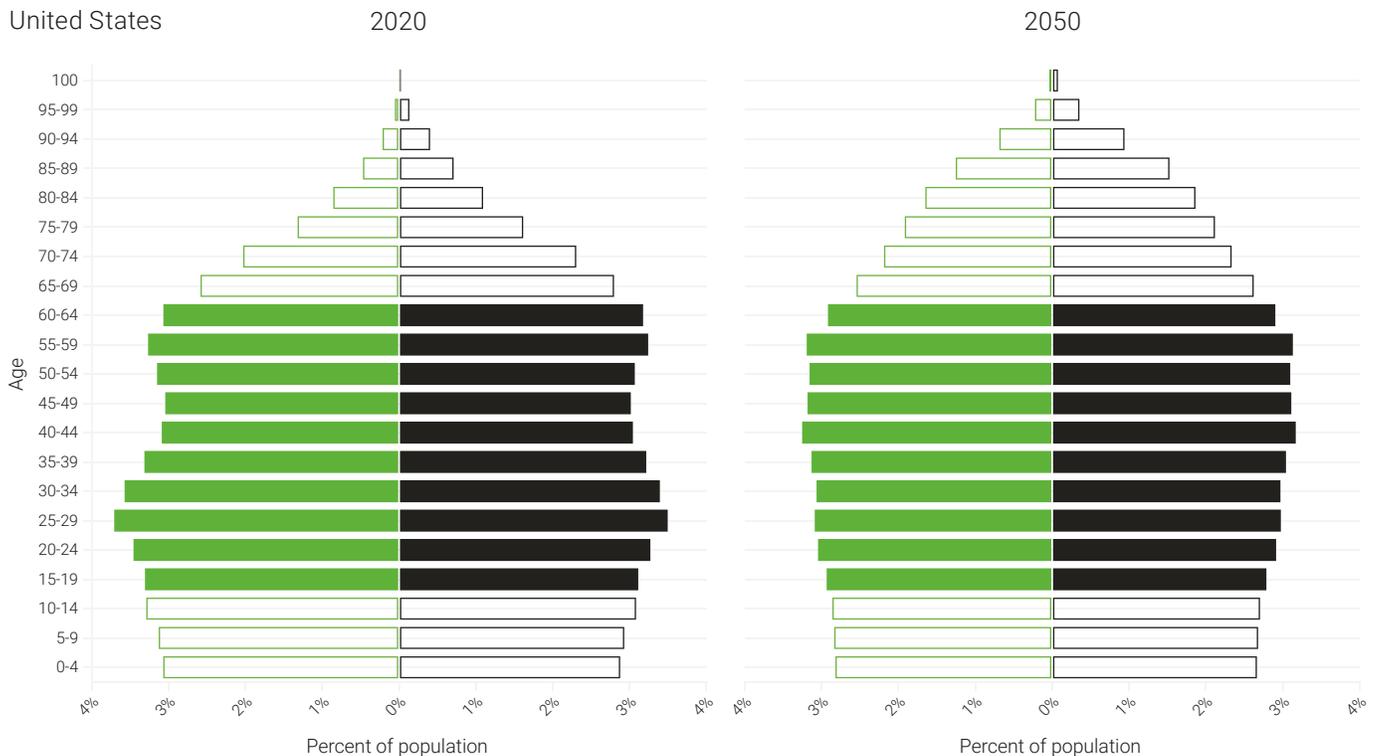
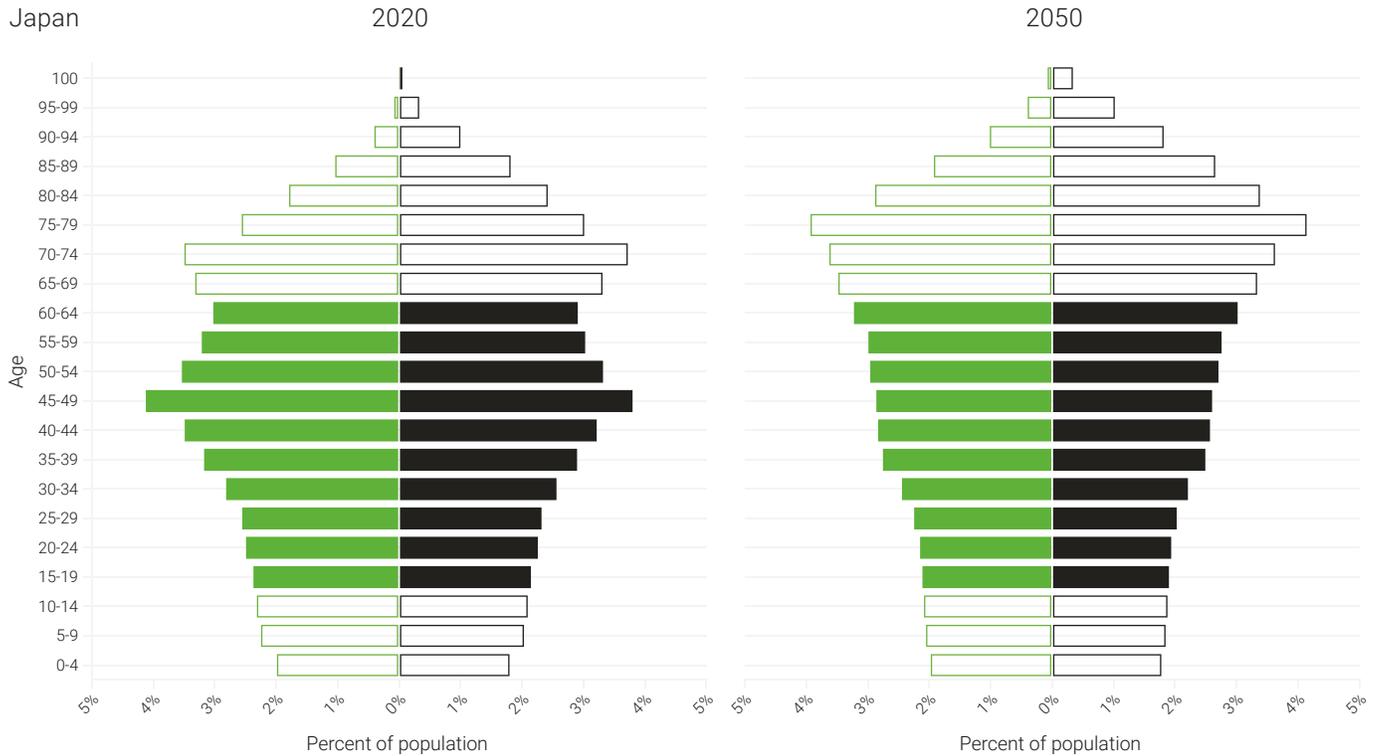
sufficient demographic growth to try would be South Asia and Africa.

Other factors will also likely prove a drain on growth in the coming years — including the impact of climate change and extreme weather events, increasing risks of war, continuing

trade restrictions, and commodity price volatility, among others.

However, while these macro trends will be felt by all, their impact on your company is up to you. When these issues are understood at a macro level, it becomes clear how

they will apply to your industry and your company, so that you're among the least affected, and you can seize opportunities when they are presented.



# How anxious are you?

## Disruption and anxiety

CEOs are concerned for their jobs; three out of five executives of all ranks find it increasingly difficult to know which disruptive force to prioritize; seven out of ten say they need more personal or professional support to succeed.

Given all that, how do they feel? About one executive in six feels more anxious now than a year ago. CEOs feel markedly more anxious than others.

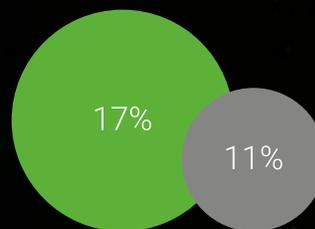
There are intriguing differences in anxiety by nationality (in Japan, only 10% feel more anxious; in the U.K., 26%) and industry (bankers and brokers are gritting their teeth; consumer products leaders are mellow).

Change makes for anxiety—and causing change seems to provoke it especially. Companies that usually drive disruption are more high-strung than others; companies that lead in technology (which are very often disruptors) out-angst the laggards.

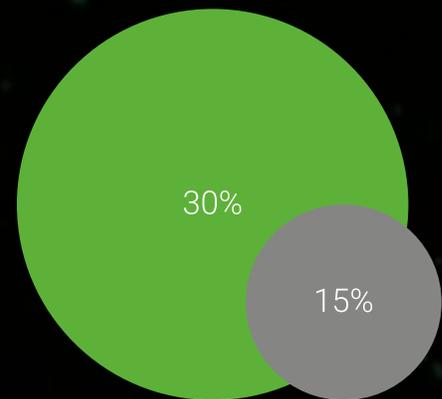
### Anxiety among different groups

- More
- Less

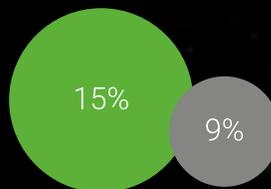
#### Overall



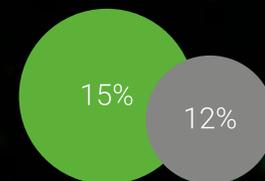
#### CEOs



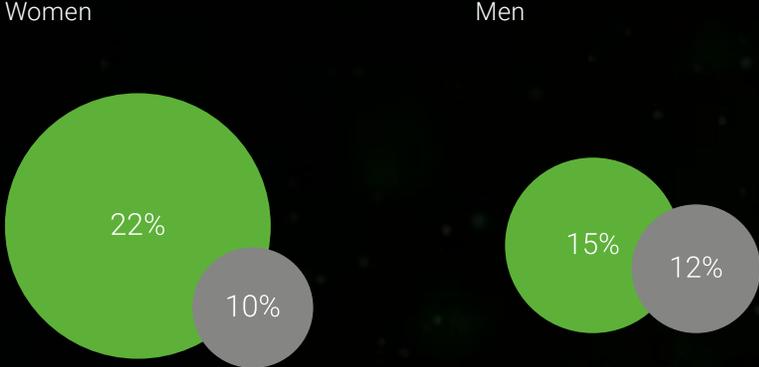
#### Other C-suite



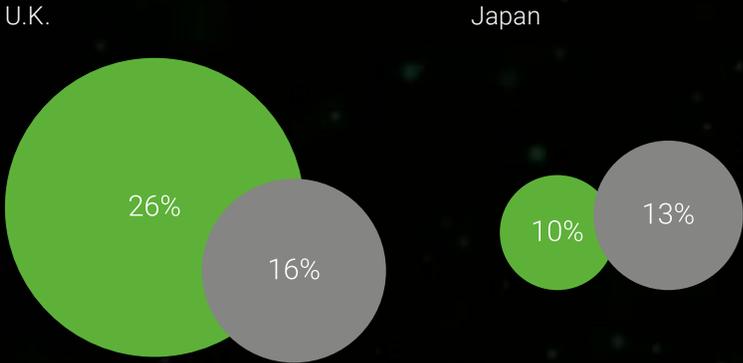
#### Mid-Level executives



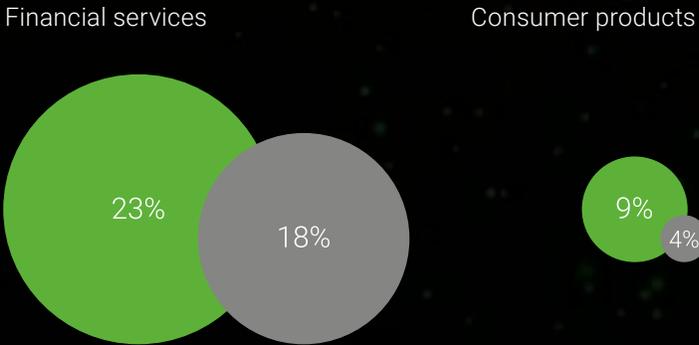
# Anxiety by gender



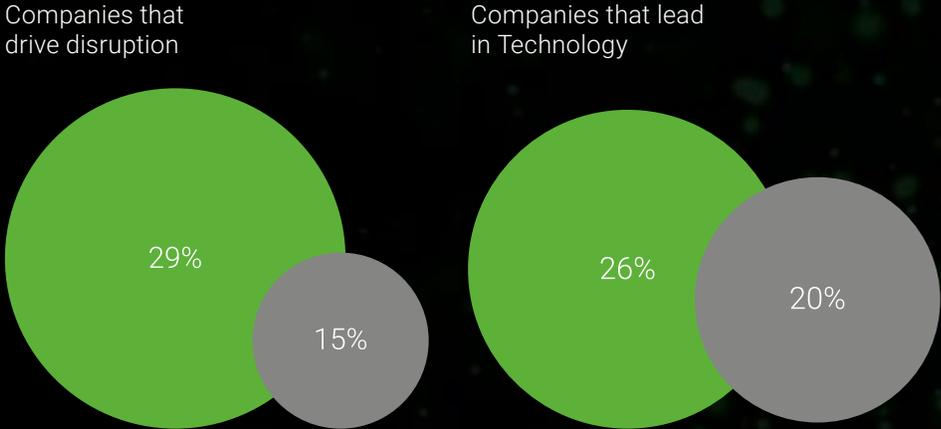
# Anxiety by country



# Anxiety by industry



# Anxiety in leaders



# Opportunities ahead

If a rising tide floats all boats, when the economic tides are lower, rewards come to those who have a keen eye for opportunities when they present themselves. Disruption can be a bearer of good news as well as bad news, and we see in the ADI and elsewhere that there's at least as much opportunity as there is threat.

Much ink has been spilled over the potential opportunities and risks presented by artificial intelligence. What is clear is that the prospects for business are significant, and could result in massive productivity gains, as well as new vectors for revenue growth and value protection.

Don't lose sight of other areas of technological innovation which could be equally great. We've already seen the growth of solar and wind generation. Improved battery storage will increase their impact over time, and new renewable sources of energy generation (like hydrogen, geothermal, or fusion) could prove truly game-changing. Other innovations, such as new, advanced materials, are quietly reshaping manufacturing in many industries.

## New patterns of global trade

As new, more regionally-focused patterns of trade emerge, where will new manufacturing centers emerge? New sources of demand? New groups of customers? For example, both ExxonMobil and Chevron recently announced acquisitions to increase their exposure to U.S. domestic oil and gas production.

Developing countries in South and Southeast Asia, with a labor force larger than that of China, are increasing their export capabilities. Vietnam is leading the way, with exports as a percentage of GDP topping 90%, but India, Bangladesh, Indonesia, and the Philippines are all gathering speed. In the case of India, a domestic market that now has more consumers than China is luring multinationals such as Apple, Boeing, and Samsung to boost local manufacturing and suppliers there.

A flatter world promised greater efficiency, but a more resilient one may prove more sustainable. New technologies—like control towers and AI tools—increase both visibility and control over dispersed supply chains. Smart factories can make reshoring a profitable reality.

## Accelerating productivity growth

The groundwork has been laid for a dramatic leap in productivity. As workforces shrink and opportunities for labor arbitrage to lower-cost environments diminish, such a leap becomes increasingly necessary. Similarly, a higher cost of capital increases pressure to improve total factor productivity.

Thankfully, new technologies—like (but not limited to) AI—can make these productivity happen. At the business level, we're seeing indications of this in the data. Executives in our survey cited investments in technology to increase productivity as their top digital priority over the next 3-5 years.

## How megatrends will likely affect corporate growth



# Getting smart about artificial intelligence

What executives say

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Q:

Which of the following are benefits of using generative AI in the workplace?

42%

Increased efficiency in decision-making

47%

Scalability and cost-effectiveness

47%

Enhanced productivity

43%

Language translation and localization

49%

Improved customer service/experience

---

Q:

Which of the following most concern you about the use of generative AI in the workplace?

27%

Job displacement concerns

31%

Lack of transparency

34%

Legal and regulatory compliance

33%

Lack of accuracy and reliability

38%

Lack of human touch and empathy

37%

Ethical considerations

30%

Overreliance, reducing critical thinking and problem-solving skills among employees

---

Q:

Which of the following do you feel generative AI will never be able to replace?

34%

Creativity/artistic expression

42%

Emotional intelligence and empathy

41%

Ethical decision-making

39%

Relationship building/trust

31%

Physical labor and skilled trades

34%

Original thought and innovation

32%

Unique personal perspectives and cultural nuances

# The real promise of AI: Unlocking human potential

At virtually every company, AI and machine learning (ML) have surged to the top of the list of technologies people are thinking about. As AI and ML are rolled out, efficiency is the first play executives say they will make, but a sole focus on jobs limits the vision of what AI can do. The bigger impact of AI will be in revenue generation and value protection.

Though AI is by no means new, its emergence as a mainstream business technology has happened very fast. Executives identified AI as the most important digital issue to address in the next 12 months. Over half (59%) are currently investing in generative AI, and almost three quarters (72%) are optimistic about the impact of generative AI on their enterprise as a whole. It's no surprise that growth leaders are higher on both measures.

Much attention from the mainstream media and other analyses has been placed on the AI's increased productivity potential. In this year's survey, executives cited worker productivity as the top workforce issue impacting company growth over the past 12 months, and the vast majority of executives (87%) said they are investing in technology to improve productivity. As technical advances gather pace and investments swell, AI may prove a major piece of this workforce puzzle.

This focus on productivity, though, leads to speculation on the impact on employment, which is reflected in the data from the survey. In a recent AlixPartners deep dive survey into digital disruption, we found that 29%

of respondents said they expected to reduce their workforce as a result of AI within the next 36 months, with the fastest growing companies significantly more likely to do so.

In our view, however, productivity is only one blade of the scissors. AI will also transform both work—making things possible that couldn't be done before—and decision-making. These two transformations are likely to be sources of new growth (and new jobs). New opportunities to generate revenue are particularly compelling.

A digitally-empowered workforce—with AI at its center—is the future of most, if not all, industries. Microsoft has dubbed its new generative AI-powered tool, "copilot," and OpenAI has introduced its own ChatGPT Enterprise tools.

AI is reinventing the private equity industry, from deal sourcing to due diligence through to PortCo operational improvements and exit strategies. These tools can also help portfolio optimization by simulating various scenarios, assessing potential risks and returns, and recommending ways to optimize overall portfolio performance.

"Cobotics" allows people and machines to assist one another in completing tasks that neither could accomplish alone. Technologies like computer vision can spot problems that people cannot; people, in turn, guide or correct the technology based on experience. Doctors and AI together can interpret images, lab results, and medical history to customize a treatment plan.

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## Biggest expected benefit:

Improved customer service and enhanced productivity/efficiency

## Biggest concern:

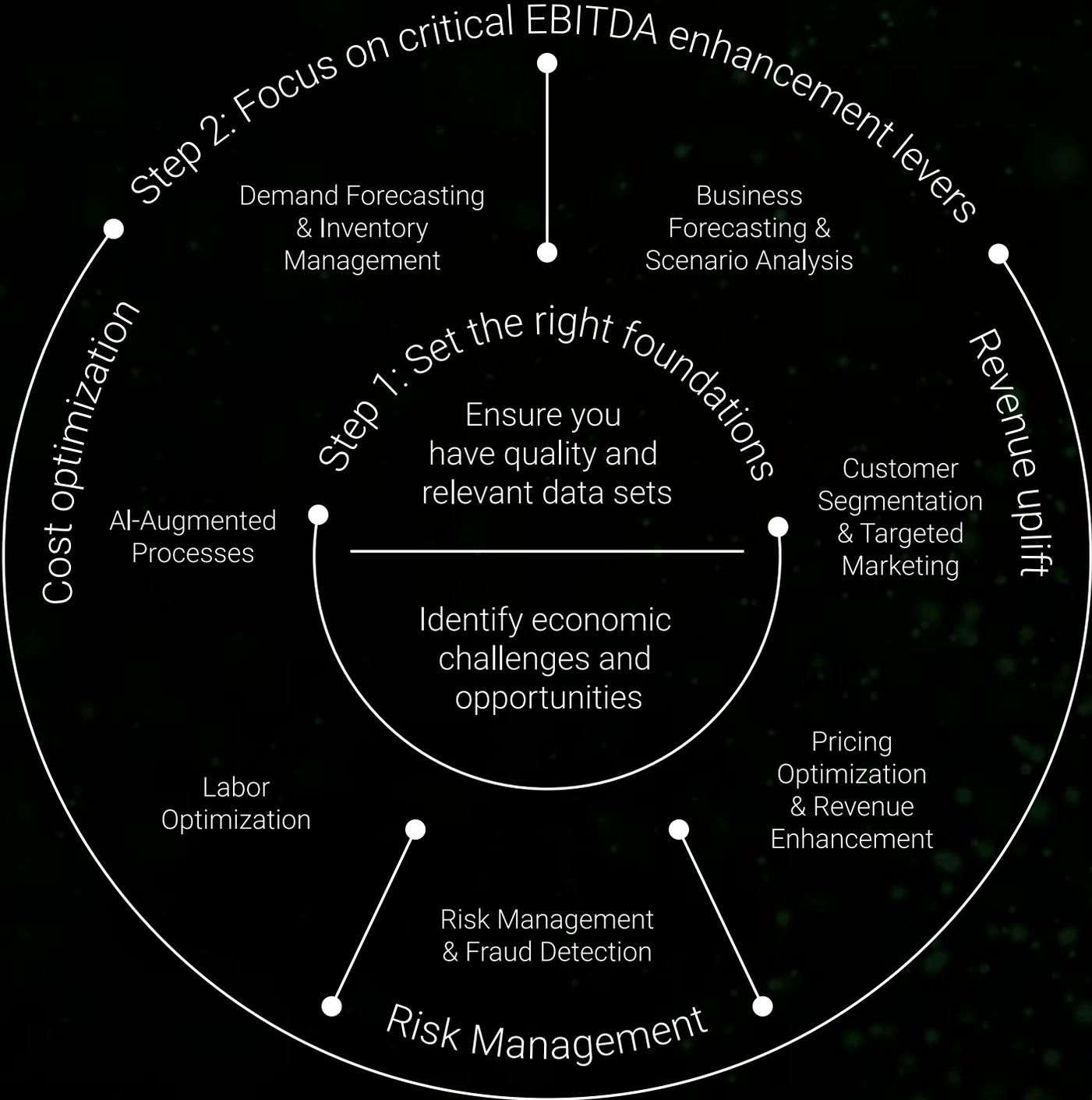
Lack of human touch and regulatory compliance

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AI will change how decisions are made, allowing companies to draw much smarter and more precise inferences from data, recognizing patterns in supply, operations, and demand. Business forecasting and scenario analysis can be improved through AI's predictive modeling capabilities. By leveraging AI algorithms, organizations can dynamically adjust prices based on demand elasticity, market saturation, and competitor pricing. Deeper insights into customer segmentation allows leaders to target their marketing efforts more effectively, helping drive customer retention and loyalty.

Over the long run, the true power of these technologies will be in how they help unlock human potential and productivity. It is no wonder the fastest-growing companies are also the most bullish about AI's potential.

# Creating EBITDA value through generative AI



## Green innovation

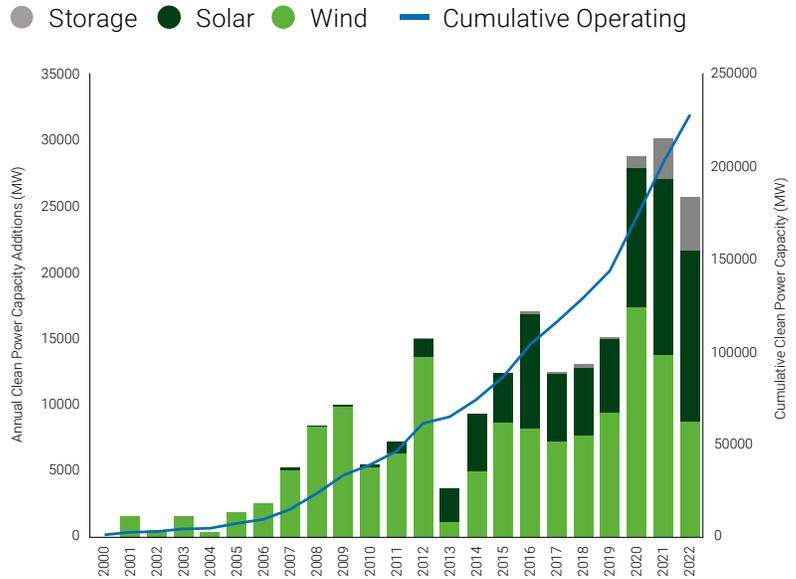
As the world weans itself from fossil fuels (too slowly, many say), trillions of dollars will need to be invested in a green-energy future. Some of that will go into power production via solar farms, wind power, and nuclear energy. Another large tranche of investment—an estimated \$5 trillion in the U.S. alone—is needed to upgrade the electric grid in the United States, for example.

Still more investment will go into the decarbonization of transportation.

Green innovation is not just a boon to investment in the power industry. Solar and wind power are already cheaper than their fossil fuel alternatives, and new sources of energy can lower energy costs for everyone. This includes individuals, for whom a heat pump can lower residential heating and cooling costs 20-40% compared to gas or oil; distributors, for whom a zero-emission truck has a 13% lower total cost of ownership than a conventional truck; or retailers, who might be able to generate their own power from their rooftops. The list grows.

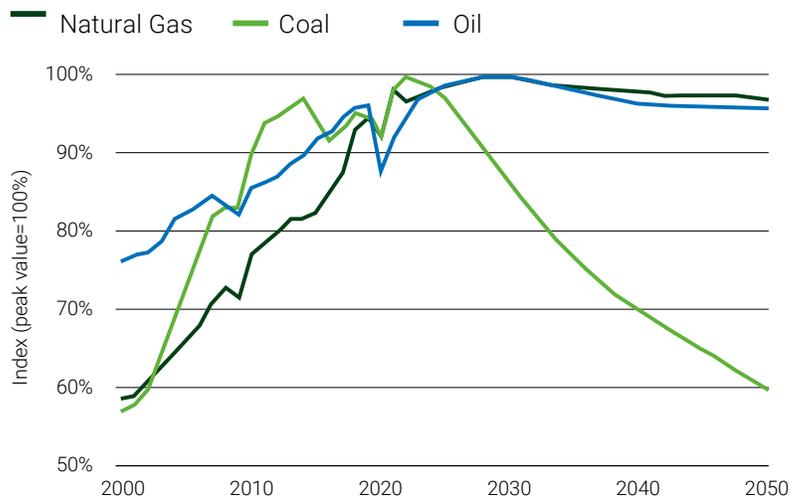
As with the downside of disruption, the upside will not be equally distributed: It favors companies that have positioned themselves in the right place, armed themselves with the right financial and intellectual resources, and done the work to make their businesses both efficient and nimble. Ensure you are in that camp.

## U.S. Annual and cumulative utility-scale clean power capacity growth



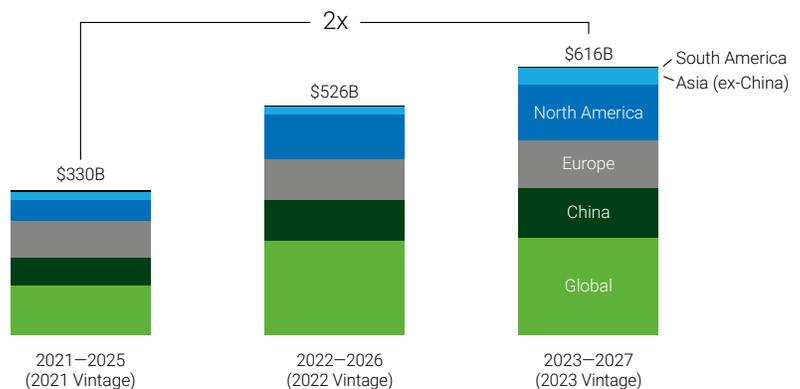
Source: Clean Power Annual Market Report 2022

## Fossil fuel consumption by fuel in the stated policies scenario (STEPS), 2000-2050



Source: IEA

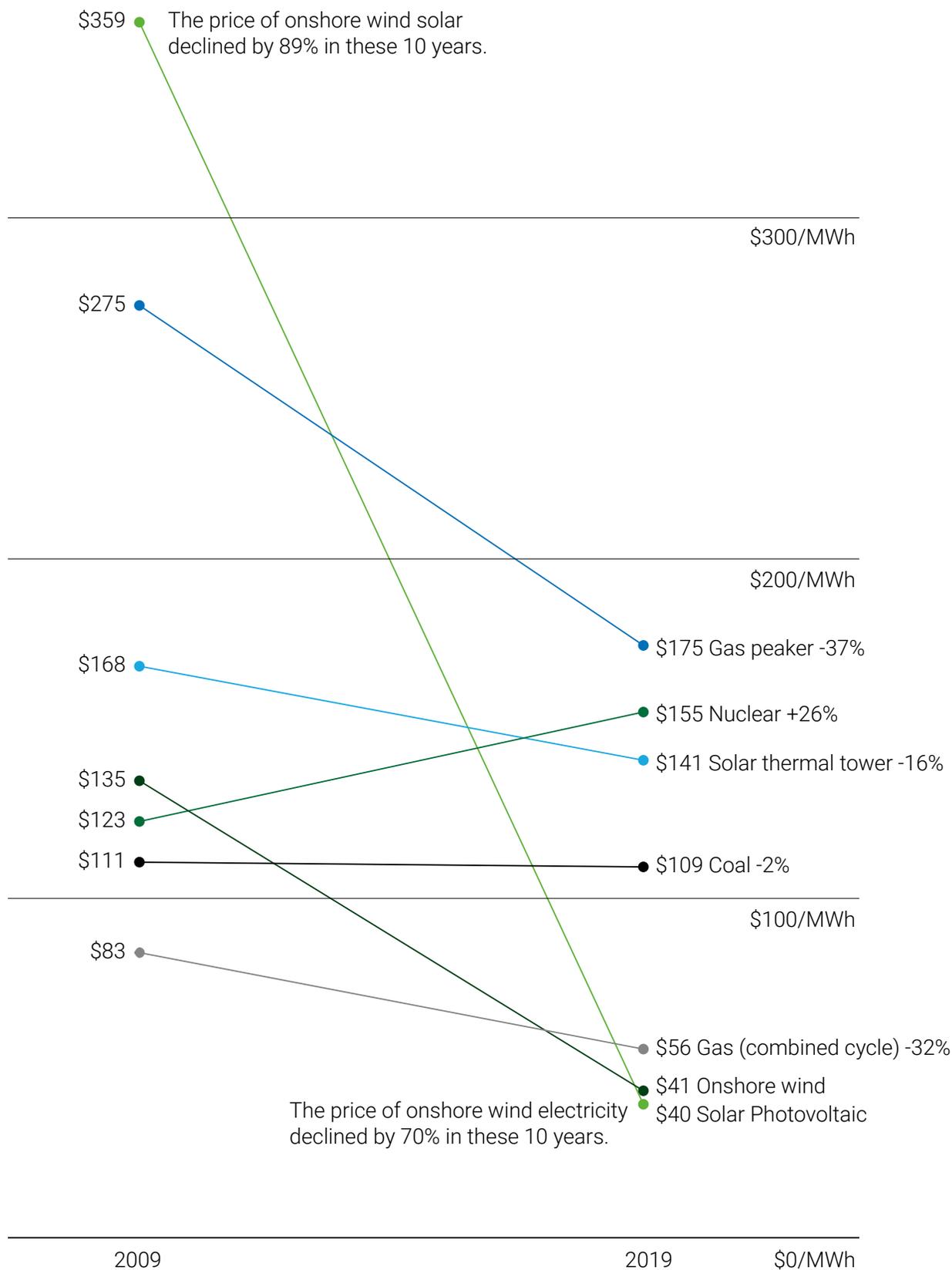
## Electric vehicle investment announcements by target regions (\$ billion; rolling 5-year period)



Source: Press Research, Company Reports, AlixPartners analysis

# The price of electricity from new power plants

Electricity prices are expressed in "levelized costs of energy" (LCOE)



Data: Lazard Levelized Cost of Energy Analysis, Version 13.0 Our World in Data

In Data LCOE captures the cost of building the power plant itself as well as the ongoing costs for fuel and operating the power plant over its lifetime.



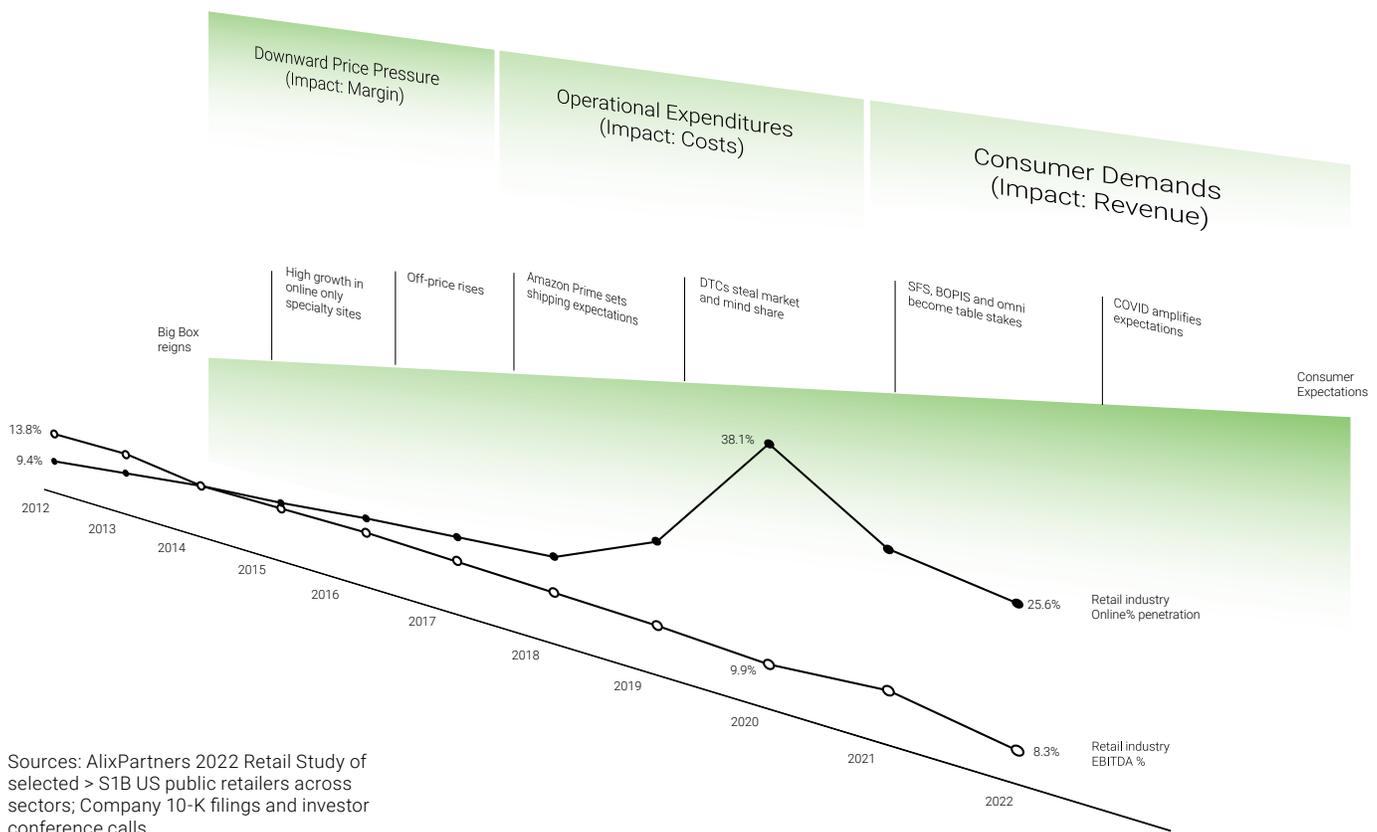
Take charge  
of your destiny

# Put yourself in the right game

Business cycles affect profits; disruption affects profitability.

Profit pools change—some grow, some shrink—when major disruptions alter the value of assets or upend markets. Examples are legion: Manufacturing profit pools change as tariffs and industrial policy reshape two generations' worth of globalization. The climate transition creates new winners and losers in automotive, transportation, energy, and other industries. For retailers, digital transformation (e-commerce, particularly) turned leases from assets into liabilities, while forcing retailers to pay “rent” to new “landlords”—the big technology/ad serving companies. Digitalization has slashed the profitability of several other industries—traditional media, for example—and threatens others, while fostering the emergence of new fintech, healthtech, and martech competitors.

## How retail profitability has shrunk

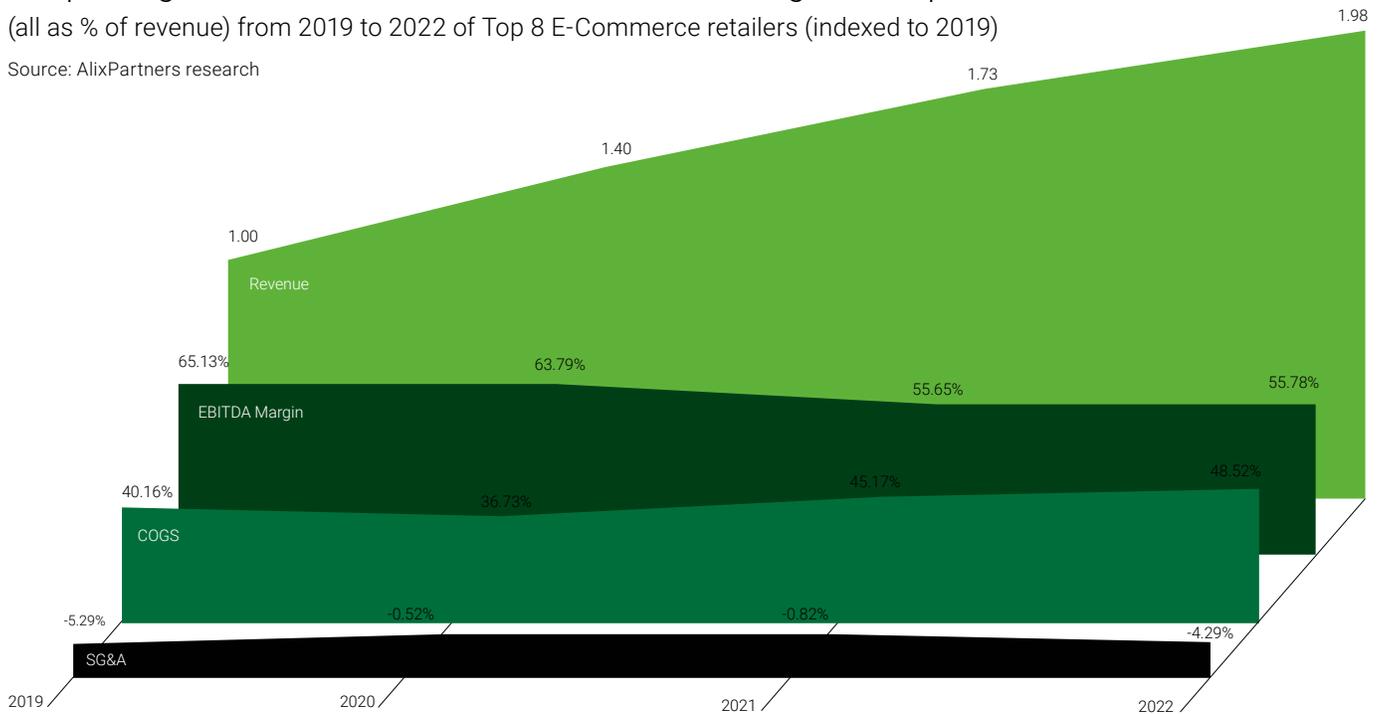


Some industries are inherently more profitable than others, but every industry sports highly profitable, fast-growing enterprises; within the walls of any company, furthermore, shareholder value is always highly concentrated. This means that when it comes to improving profitability, companies have more control over their destiny than they often realize—especially in disrupted environments.

# Despite higher revenues, e-commerce retailers' margins compressed

(all as % of revenue) from 2019 to 2022 of Top 8 E-Commerce retailers (indexed to 2019)

Source: AlixPartners research



That's why the best companies don't respond to disruption like a tennis player determined solely to keep a point alive. They want to hit winners, not just returns—or to transform the game completely. Growth leaders are 50% more likely to prioritize diversification among their responses to disruption. More than three-quarters of growth leaders (77%) expect to pursue mergers or acquisitions in the next

12 months; 46% of laggards feel the same. Growth leaders are also significantly more likely to be planning collaborations, joint ventures, and partnerships as part of their strategic response.

Carve-outs, divestitures, and portfolio optimization, the flip side of diversification and M&A, can also reposition a company to win amid disruption. Among growth leaders,

65% expect to divest business units or other assets, and 57% to trim their product or service portfolios next year; among growth laggards, those figures are 40% and 37%. Done right, divestitures and portfolio rationalization don't just go after costs, but strengthen a company's differentiation, strategic focus, and economic profit.

## A framework for portfolio rationalization

### Market coverage

Which markets are most and least profitable? Which markets have the highest and lowest growth prospects?

Which markets can we exit most practicably?

### Commercial complexity

How can we optimize our commercial activities in the markets we serve?

Does our go-to-market structure fit those markets?

### Operational complexity

What operational and manufacturing inefficiencies can be eliminated by rationalization?

What positive efficiencies can be gained?

### Does the sum of our decisions improve overall profitability?

#### Strategic alignment

Do rationalization decisions adhere to company strategy?

Do decisions align with product and market priorities?

#### Product profitability and growth

Are we taking actions on low-or-negative growth or low-or-negative profitability offerings?

# Put digital disruption on your side

Technology is often the first thing people think about when they hear the word “disruption”—with good reason. Some disruptive forces are sudden, even unexpected (war, investment bubbles, pandemics); others are long-term, foreseeable, and inexorable (climate change, demographics, geopolitical rivalries). Information technology is both.

Information technology accelerates both exponentially and seemingly without end. Low marginal costs, powerful network effects, and rapid scalability make this possible. Many other technological revolutions are one-and-done. (For example, jet engines disrupted travel, but the scheduled flight time between New York and Los Angeles is about 30 minutes longer than it was in 1959, when the first transcontinental jet flights took place).

Not so IT.

IT is also unique among disruptive forces in that companies can create digital disruption, not just react to it, as we discussed in [the AlixPartners 2023 Digital Disruption Survey](#). About one in five companies (19%) tell us they set the pace in their industries with their use of digital tools and technologies; 17% say they lead the way in the newest hot technology, artificial intelligence. (They are mostly, but not entirely, the same companies.) These technology leaders feel about the same overall level of disruption as everyone else; their AlixPartners Disruption Index score is 74, just two ticks higher than the sample as a whole. What’s different is that these companies use technology to get disruption working for them, not against them.

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## Leaders in technology do six things differently

**01** They use their capabilities to disrupt their markets. Technology leaders are almost six times more likely to say they always drive disruption in their industries (57% of tech leaders, 10% of others). That’s true irrespective of industry; technology leaders upend traditional ways of making and selling in every industry: automotive, industrial, financial services, consumer products, and of course the technology industry itself.

**02** They also use technology to disrupt themselves. Fifty-five percent of technology leaders expect significant change in their business models in the next three years, vs. 32% of others. Thirteen percent expect a total change in their business model. They are much more aggressive about changing their business portfolio, too: In the year ahead, technology leaders are more likely to expect their company to actively pursue mergers/acquisitions (77% vs. 45% others) and divest business units or other assets (64% vs 39% others). Surprisingly, 72% of technology leaders say their boards impede the process of adopting and implementing new technology and digital solutions, vs. 46% of other companies. That’s probably because the other companies ask for less.

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Not satisfied with their performance

57%

of technology leaders say advances in technology are happening too fast for their company to keep up, and

77%

of technology leaders say it is increasingly difficult to know which disruptive forces to prioritize

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**03** They worry more about falling behind personally and corporately. Even though they lead their industries, 41% of technology leaders say they are personally falling behind the curve in terms of knowledge/skillsets, while only 25% of executives in less-advanced companies say the same. They are hungry for knowledge; though the majority have strong personal networks (96% for technology leaders, 88% for others), the technology leaders are more likely to say they need still more personal and professional support (88% to 63%). They are also more anxious about their enterprise's ability to keep up, and struggle to know how to set priorities.

Yet prioritize they do—and not only that, they get better results:

**04** They manage their tech portfolios better: 40% of technology leaders say their technology investments return 10% or more; only 12% of the others report such high ROI. They get this value by combining a strong alignment between digital spending and strategy, with rigorous and recurring diagnoses of technology spending so they know what they're buying (not just in the IT department but in "shadow spend" throughout the organization). They also develop the right mix of internal and external sourcing, and manage vendors effectively.

**05** Their revenues and profits grow more: 65% of tech leaders say they also lead their industry in growth; among the other companies, just 7% are growth leaders. Furthermore, 42% say their profits increased 10% or more last year—triple the percentage among less-advanced companies (14%).

**06** They unleash their employees' energy, rather than trying to corral it. When faced with disruption, the leaders of technology companies emphasize communication and creativity more than risk analysis and cost control. They are almost unanimous (96%) in agreeing that their culture is a competitive advantage in a disruptive environment. Personally, executives at companies that are technology leaders rank their ability to inspire and motivate team members much more highly than do leaders at companies that are not pioneering new technologies. They find it hard to keep up because they see more to keep up with—and they are investing hand over fist to try to keep up, while making huge returns on it.

**In short: They act. Companies that are leading the way on technology are much more aware of how much change there is. They find it hard to keep up because they see more to keep up with—and they are investing hand over fist to try to keep up, while making huge returns on it.**

# Make the most of your talent

While CEOs fret about disruption more than other executives, they also know that disruption cannot be managed with a top-down, command-and-control mentality. In large organizations, knowledge and power are dispersed; in disrupted markets, information is always imperfect. The need for speed requires prioritizing pace over perfection, and it's a rare company indeed where headquarters can make a decision faster than empowered business-unit leaders. So successful companies need to elicit action, engagement, innovation, opportunism, and urgency from and for everyone—while maintaining strategic focus and coherence.

They attract the best people. Growing companies find it easier to attract talent. Everyone loves working for a winner—especially at the top of the house.

## Hiring Executive Talent



Leading companies take strategic advantage of their attractiveness to improve the overall quality of their workforce by removing weak performers, growing their staff, and using technology to amplify human skill. Compared to others, companies whose profits increased 10% or more last year are more likely:

- to expect layoffs over the next 12 months (19% to 12%)
- to expect to hire new full-time employees in the next 12 months (43% to 32%)
- to expect improvements to their employer value proposition through increased wages (40% to 28%) and the expansion of benefit programs (44% to 31%)
- to say that addressing employee health (physical and / or mental) has impacted company growth over the past year (18% to 13%)
- to worry that they are not doing enough to attract and retain underrepresented groups (51% to 37%)

Though all companies focus on employee productivity, those whose profits grow fastest are more likely to say that investments in AI have had a substantial impact on revenue growth (25% vs. 18% others).

They see culture as competitive advantage. A “great culture” doesn’t mean free food and foosball; it means values, norms, and behaviors that reflect and advance value creation. For one company it could mean celebrating technical excellence, for another, customer-centricity, for a third, cost-consciousness.



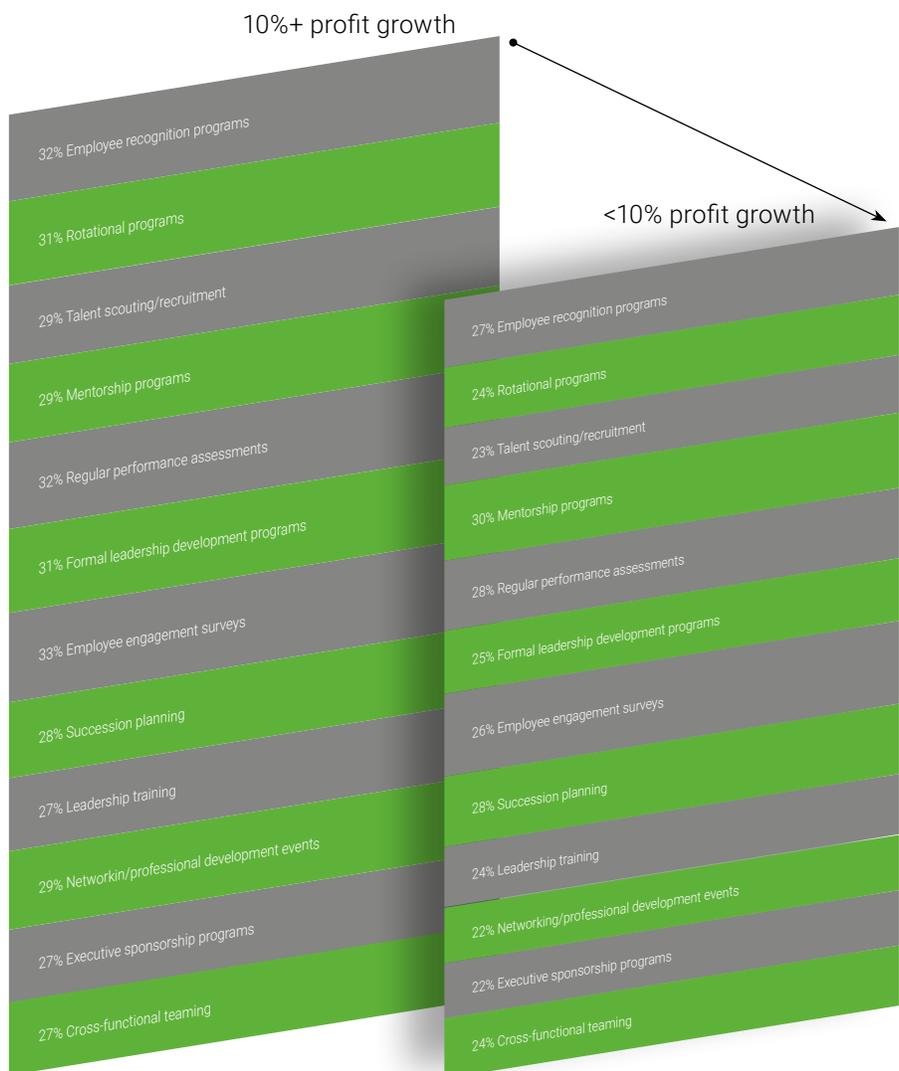
When a culture is vibrant and aligned with a company's value-creation strategy, agility increases, because the right decisions get made without needing to wait for directives from on high.

They make talent and leadership development an important company activity. The most successful companies don't just proclaim that people are their most important asset; they help people grow and become more productive and valuable. Growth leaders are almost 10% more likely than others to say they have a strategic development plan aligned with their goals. They support the plan with action—not just one “magic bullet” but a broad suite of activities and programs designed to manage succession, find employees with leadership potential, and offer them opportunities to learn. On average, companies with fast-growing profits do nearly 20% more to identify and develop future leaders than others do.

They develop a comprehensive view of organizational capabilities—and act quickly on what they learn. Talent and culture are quintessential long-term issues, but the fact that they take time means it's all the more important to start in on them early. An organizational health diagnostic can quickly reveal strengths and weaknesses in a company's talent management and strategy, and produce a surprising number of actions that can be taken quickly.

## Leadership development at companies with rapid profit growth

Percentage of companies that undertake leadership development activities



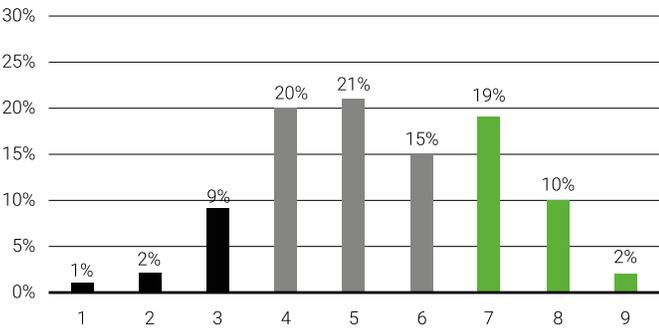
# Prepare for a business climate with more potential for disruption

Eighteen percent of the executives we surveyed told us their companies always drive disruption in their industries. On average, their AlixPartners Disruption Index score is 7–10% higher than the ADI for companies that are less often or rarely in disruption’s driver’s seat. Disruptors, in other words, aren’t hanging back in protected niche markets. Instead, they have devised strategies and tactics that prepare them to deal quickly with whatever the business environment throws at them—both on offense and on defense.

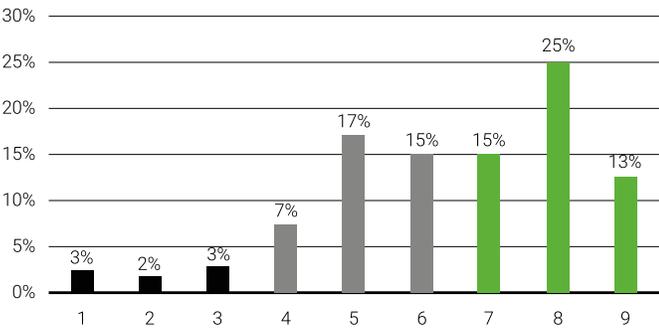
## Companies that harness disruption also experience it most intensely.

- Highly disrupted
- Not much disrupted
- Moderately disrupted

### Companies Reacting to Disruption



### Companies Leading Disruption



## How do they do it?

Disruptors start by creating financial flexibility. A strong balance sheet, with less debt and less capital intensity, gives companies options. Companies that drive disruption are 23% more likely to expect changes to their capital structure over the next year to address disruptive forces. They are also almost 60% more likely to employ diversification as a strategy—an approach that creates options. They are, by contrast, about 30% less likely to take a cost-first approach to dealing with disruption.

They create the conditions for better decision-making. Almost by definition, companies that drive disruption are venturing into new markets, new technologies, and new ways of working—areas where there are no comfort zones and few established best practices. In this context, disruptors are strikingly more aggressive about finding and using data on which to base their decisions, all along the length of the value chain.

Those who lead in disruption use generative AI broadly in their businesses, and are particularly interested in using AI to support decision-making: Better, more efficient decision-making is cited as a benefit of AI by 53% of disruptors, but just 39% of their competitors. While using AI more, disruptors are also more worried about over-reliance on it; 35% caution that AI must not be allowed to reduce critical-thinking and problem-solving skills among employees, something that worries 29% of other companies.

We see the same pattern among growth and profitability leaders: Across the board, leading companies are doing more to ensure that their decisions are based on sound data, augmented by AI and other tools to help executives see patterns and anomalies.

They are creating more secure, resilient supply chains. Every company that deals in real goods has had to fix supply chains that have been designed for an era of progressively greater globalization. They are diversifying their supplier base, digitizing supply chain operations, etc. But disruptors act more boldly. Compared to others, disruptors are 35% more likely to change their supply footprint by reshoring or nearshoring. They are 29% more likely to redesign distribution networks. They are 35% more willing to pay more for materials and parts, and 23% more likely to increase prices of goods or raw materials to customers. Other companies—those that less often or rarely drive disruption—are addressing supply chain

# Use of data-driven insights

Have data and use it to its fullest potential when it comes to:	Disruptors	Others
Customer service/experience	56%	55%
Sales	51%	57%
Supply chain/logistics	50%	46%
Production	52%	44%

problems by optimizing their existing arrangements (for example through improved forecasting, renegotiating supplier contracts, and rightsizing). Those are on disruptors' to-do lists too, of course; but the disruptors are more willing to rethink supply chains and rebuild cost/pricing models from scratch.

They create the organizational and cultural conditions to move fast. Fifty percent of disruption leaders say they worry that their companies are not adapting fast enough to cope with disruption, compared to 33% of other companies. These leaders are even more critical of their executive teams than they are of the enterprise as a whole: Among disruptors, 60% say their executive team lacks the agility needed to combat disruptive forces. That's not because the leaders are slowpokes; it's because they are more likely to recognize the need for speed and to be pushing their organizations to get faster. One is reminded of the title of the memoir of Intel's legendary CEO Andy Grove: *Only the Paranoid Survive*.

They pursue agility and resilience simultaneously. The stereotypical large company is a lumbering beast, slow to change but able to absorb a lot of punishment, while small firms are agile but fragile. Evidence from the AlixPartners Disruption Index shows that the best companies are both. Bigger companies are more likely than smaller ones to say they drive disruption; 45% of those with revenues above \$1 billion usually or always drive disruption, compared to 38% of companies with revenues between \$100 and \$500 million. Behemoths are more likely to worry that employees are too set in their ways (37% to 32%) and their companies are not adapting fast enough (36% to 31%). They need to shorten their reaction time, without sacrificing resilience; smaller organizations should build up resilience, while staying quick.

Disrupted environments are uncertain in the classic meaning of the word. We can make plans, calculate probabilities, invent scenarios, but in the end, as John Maynard Keynes said, "We simply do not know." Yet we must act and be ready to react—organizationally, financially, and psychologically.

# Transformers vs. Optimizers

Leadership approaches for dealing with disruption

Risk assessment	<6% ppt
Cost management	<6% ppt

Aspects of the business most likely to change in the next year

Operations	<7% ppt
Capital structure	>5% ppt
Geographic footprint: offices/operations	>6% ppt

# The Middle East: At the crossroads of disruption

It is difficult to imagine a region of the world where both the threats and opportunities of our disruptive age are more on display than the Middle East. Rising temperatures and declining rainfall are increasing climate pressures across the region. Zero emission goals are accelerating the need to transform the primary engine of their economies. And a fracturing global geopolitical order is intensifying tensions and sparking new conflicts.

At the same time, governments and businesses in the region are among the most forward-looking in the world—accelerating investments into education, infrastructure, the green transition, and digital technologies. Most countries in the GCC have committed to net zero emissions by either 2050 or 2060. In Saudi Arabia, leaders have been focusing on diversifying their economy away from oil production to renewable sources of energy such as solar power (as articulated in their Vision 2030 plan), and when completed, their mega-project Neom will become the largest smart city on the planet. In recent years, the UAE, the host of COP28 last year, has transformed itself into a clean energy hub enacting an energy policy that selected renewables and peaceful nuclear energy as the paths to diversification, security of supply, and sustainability.

For the second year in a row, we have surveyed executives in Saudi Arabia and the United Arab Emirates to understand how disruptive trends are impacting their businesses and how companies there are responding. Executives in these countries were second-highest disrupted, after China, with 68% saying they were highly disrupted in the past year.

While they, like many of their peers in other regions, are anxious for their jobs (59%), and worry that their company is not adapting fast enough to the pace of change (67%), they remain quite optimistic about the prospects for their company and the overall economy.

And they are investing more into digital tools and technologies than they were in the prior year, more than 5 points higher than the global average. Workforce challenges are still significant, with 85% saying that the pace of change is making their employees' skills obsolete (compared to a global average of 58%), and 80% saying

that their employees were not open to change (compared to 55% globally). However, they also noted that visa reforms have made hiring and retaining qualified workers easier now than it was two years ago.

While the challenges ahead are significant, companies in the region—working closely with their respective governments—are rapidly rising to meet them.

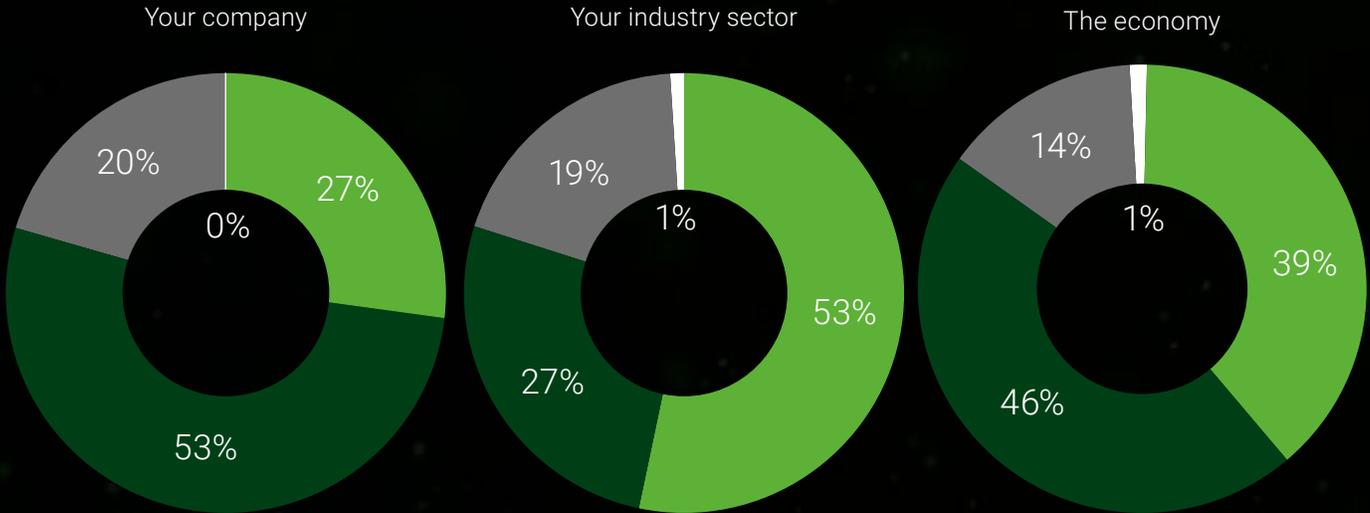
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Thinking about investing resources in digital tools and technologies, which of the following best describes your company's current situation?



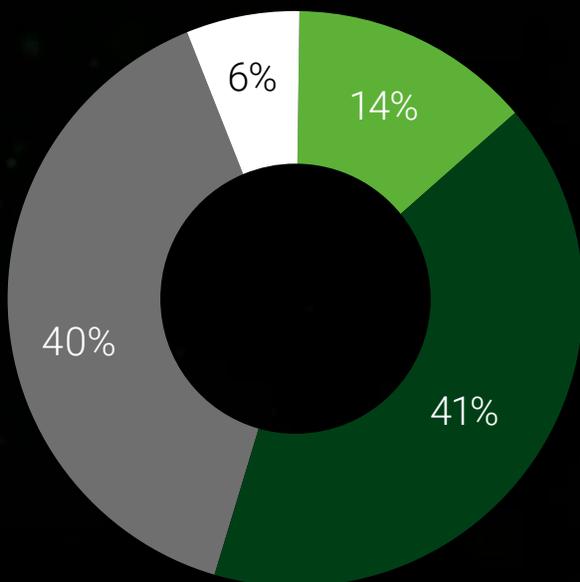
# What are your growth expectations for each of the following over the next 12 months?

- Slight positive growth
- Significant positive growth
- Slight negative growth
- Significant negative growth



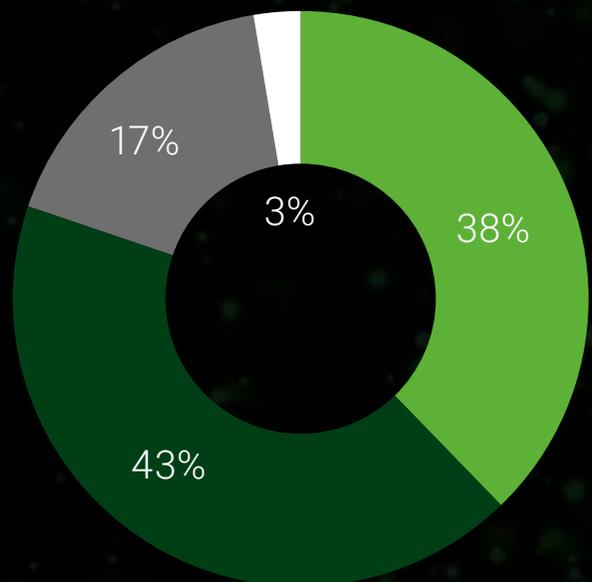
## Geopolitical challenges are forcing my company to adjust its growth strategies

- Somewhat agree
- Strongly agree
- Somewhat disagree
- Strongly disagree



## I expect my company to actively pursue mergers/acquisitions in the next 12 months

- Somewhat agree
- Strongly agree
- Somewhat disagree
- Strongly disagree



# Break the tradeoff between profits and growth

This year, 547 executives (18.2% of the sample) said that their companies set the pace in their industry when it comes to growth. Asked about profitability, 557 executives—18.5% of the sample—said their company's profits grew 10% or more last year. Remarkably, 248 of them—8.3% of the sample—are the same people: executives at companies blessed by strong growth on both top and bottom lines.

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## 8.3% of executives we talked to come from companies that lead their industries in growth and profitability simultaneously

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In troubled times, executives are tempted to bring out the long knives and cut as close to the bone as possible; or, to change the metaphor, to return to port, batten down, and wait out the storm. R&D, marketing, G&A—everything's on the block (except sales; "don't touch sales," the CEO says, though improving salesforce effectiveness is a powerful way to grow the top line in a down market, as we wrote in [Harvard Business Review](#)). The underlying assumption is that you can protect profits by stanching growth. The idea that there's a tradeoff shows up in many ways, for example in theories that some parts of a business are cows to be milked for profits, while others are stars to be funded for growth.

What if that's a false choice? What if the growth/profitability tradeoff applies better to the ups and downs of traditional business cycles than to the threats and opportunities posed by disruption? The AlixPartners Disruption Index results suggests that advanced companies manage for growth and profitability at the same time. See, for example, how Meta's 2023 "Year of Efficiency" has produced both aggressive cost cuts and impressive revenue and profit growth. Other research has demonstrated that a percentage point of increased revenue usually adds more to shareholder value than an additional point of margin...

These are the ways in which both growth and profitability leaders act differently from the companies they're outperforming. Their corporate initiatives are ambidextrous; they invest in growth on the one hand and productivity on the other—simultaneously.

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## Compared to others, both growth and profitability leaders are significantly more likely

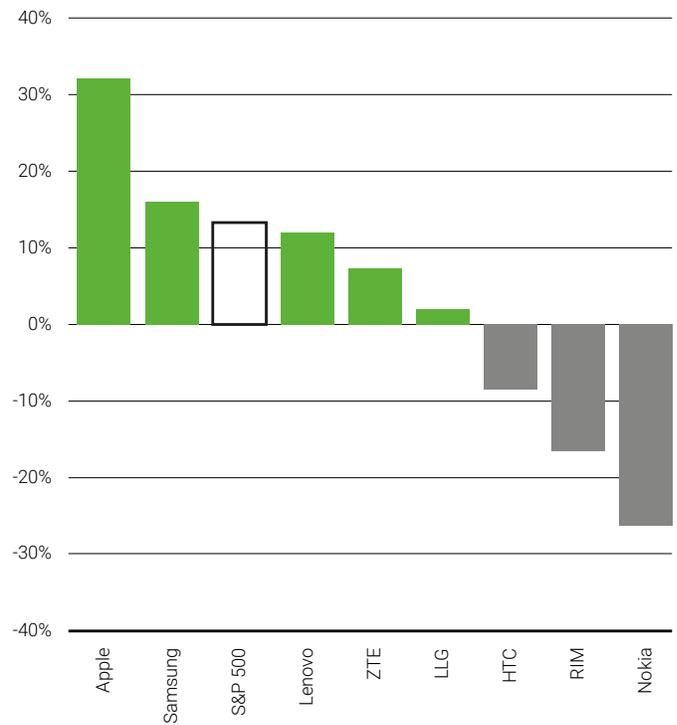
- To be investing more in tech than they did last year (89% vs. 48% others)
- To expect their company to actively pursue mergers/acquisitions in the next 12 months (73% vs. 50%)
- To expect to reduce their product/service portfolios (52% to 39% others) or divest business units (61% to 43%) within the next 12 months
- To have programs to identify/develop future leaders (96% vs. 88%)
- To have conducted scenario planning/analyses (42% to 31%)
- To have found new suppliers/partners (38% vs. 29%) or renegotiated supplier pricing (31% vs. 28%)
- To have built cash reserves (37% to 30%)

The differences are dramatic. For example, 89% of the growth and profitability leaders are increasing their tech investments, while only 48% of the others are. Thirty-eight percent of growth + profitability leaders are finding new suppliers, 29% of the others are. Thirty-eight percent of growers are finding new suppliers, compared to 27% of others.

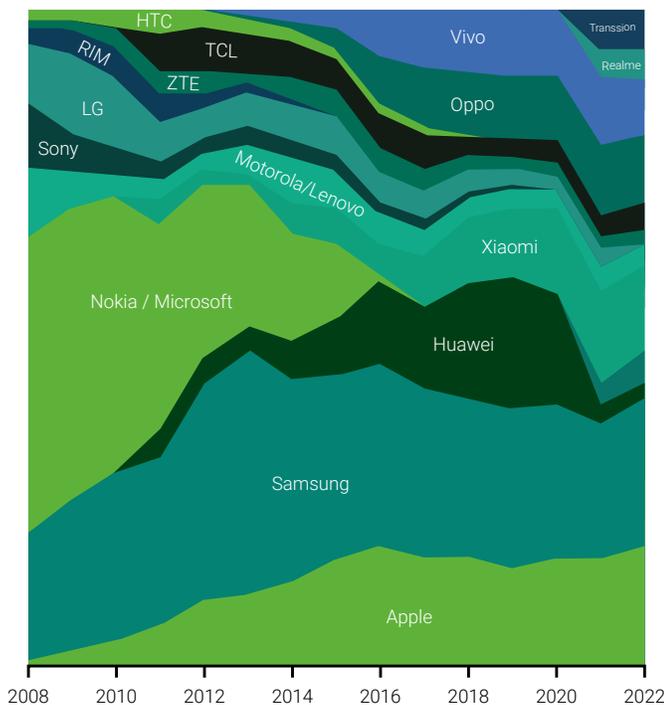
In our experience, the most successful companies reinvest the money they save into parts of their business where they know—with certainty and at a granular level—that they can outcompete rivals and earn outsized returns on invested capital. When executives know specifically where enterprise value flows in and leaks out, they can have "reinvestment advantage"—the ability to capture a disproportionate share of market value on an ongoing basis, breaking the tradeoff between efficiency and expansion.

Strategies that increase share of market profits, not just share of volume or revenues, deliver superior shareholder value growth over time

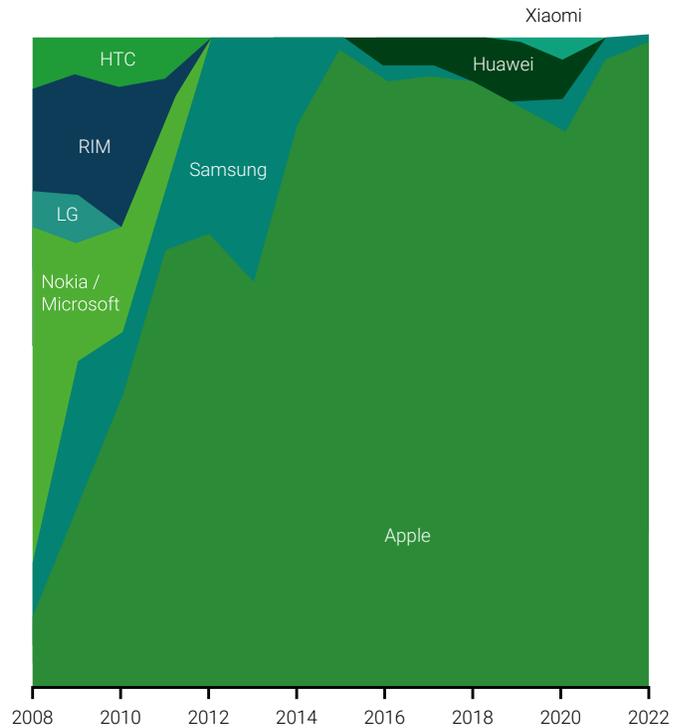
Avg. Annual TSR (2008 to 2022)



Share of handset volume



Share of handset economic profit



Notes: (1) Economic Profit is after-tax earnings less a charge for capital employed. Companies with negative profits not shown on profit graph (Xiaomi, Samsung in '22); (2) Samsung includes adjustment for £2.2B one-time write-downs in 2Q and 3Q 2014. Excluding adjustments, Samsung economic profits in 2014 would be negative; (3) Total shareholder returns are for the period 12/31/2008-12/31/2022 except Nokia TSRs which are for the period 9/31/2013 - 1/1/2018 (end of month in which Nokia announced sale of segment to MSFT); Sources: IDC, Gartner, Canaccord, Asymco, Statista, Company Reports, FactSet, Counterpoint Research, Bernstein, Omdia, AlixPartners Analysis

# Secrets of the superstars

Accelerated growth on both the top and bottom line: that's the business equivalent of the hitting the daily double. Just over 8% of the companies we surveyed say they lead their industry in growth, and reported profits that increased by more than 10% last year. Many of the traits we have identified in this section apply to this red-hot group, of course. They are more disrupted overall, and much more likely to say they usually drive disruption (74%) than react to it (20%). They are aggressive about their business portfolios. They are simultaneously adept and ambitious when it come to digital technology. They rigorously defend against the downside while boldly betting on future growth. Compared to their rivals, they are 28% more likely to expect their national economy will continue in or enter a recession within the next 6 months; they are taking more actions to prepare for a downturn; and they are 31% more likely to be optimistic about how their companies will fare if times are tough.

But there are a few ways in which the behavior of the growth-and-profits winners stands apart. First, members of this special group eagerly embrace the challenge and opportunity of new business models. In the next year, 63% expect their business models will change significantly due to disruptive forces; 18% expect a total business model change—over 4 times more than the bulk of companies we talked to. They see business model change much more positively. When they change, they look at the balance sheet as well as the income statement: They are 30% more likely to expect changes to their capital structure over the next year, and also more likely to expect changes to their operations, geographic footprint, talent model, and so on.

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## New or evolving competition or business models

	Is an opportunity	Is a threat
Growth and profit superstars	71%	12%
Others	57%	21%

Because this group is growing fast, it needs to hire; but companies in this contingent are also learning machines. Compared to others, they are more likely to provide leadership development programs (by 23%), offer networking and professional development opportunities (by 59%), assign employees to cross-functional teams (29%), and invest in training for growth (33%). A lot of that development seems to do with technology. Ninety-five percent say their workforces fully understand and support digital investments, and this group is 57% more likely to consider the need to upskill employees when making decisions around technology investments. Which they do, in very practical ways.

The executives who lead growth-and-profits exemplars stand apart for their unblinkered focus on the facts and relentless determination to act on them. They are data-driven. More than half say they are fully exploiting the advantages data gives them in sales, customer experience, operations, and supply chain—averaging about 13 percentage points better than other companies.

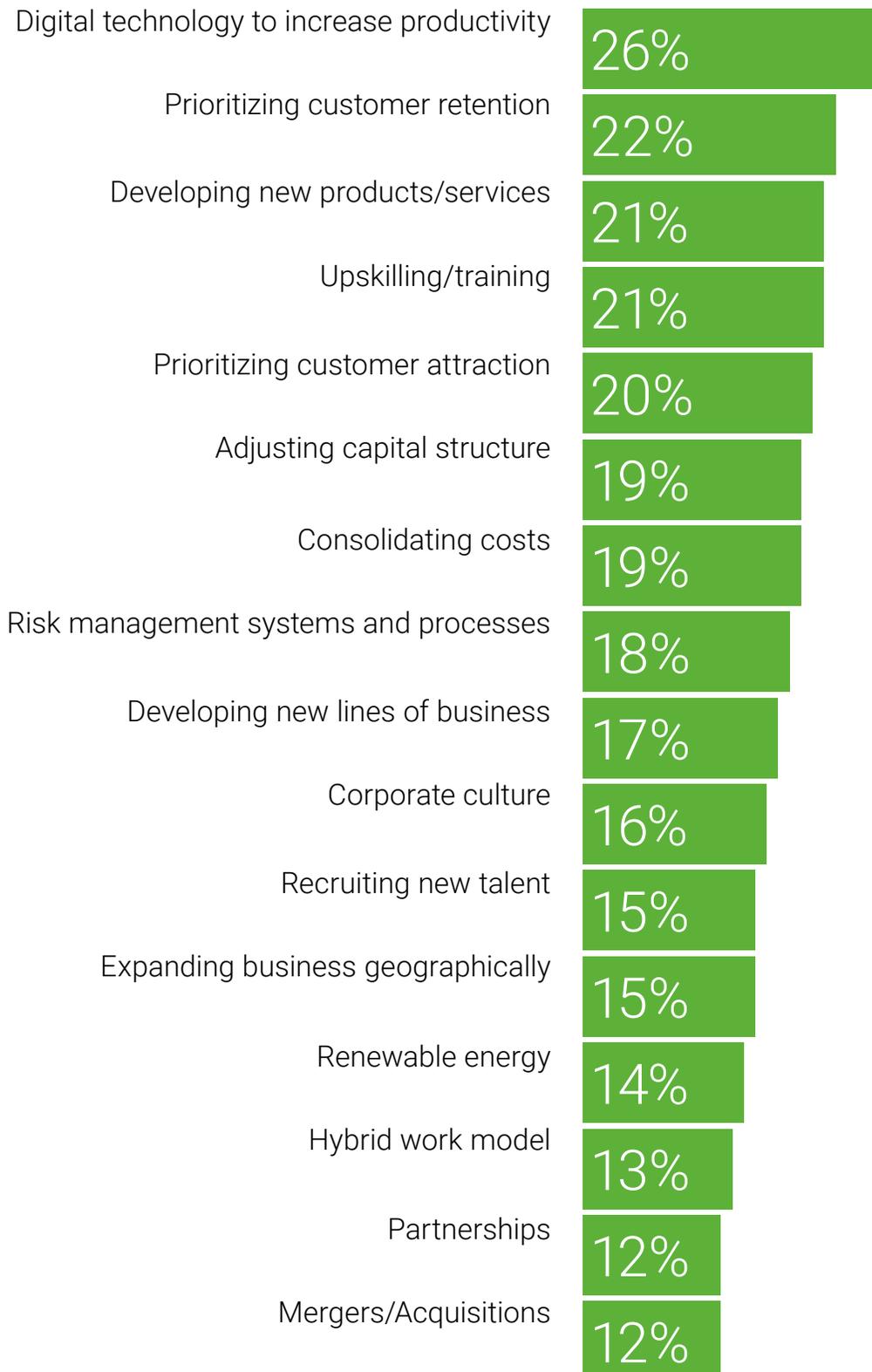
And they are action-oriented. Asked which leadership skills are most important to respond to disruption, they are not more likely to cite strategic thinking or resilience or the ability to prioritize. But they are 30% more likely to say that execution and follow-through are critical. Asked about their personal strengths, they don't boast of their communication or coaching or motivational skills; but they are 43% more likely to take pride in how well they execute, and 83% more likely to say that their biggest strengths are energy and willpower.

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# Investment plans to ensure growth

Q: Where does your company plan to invest most to ensure growth for your business over the next 3-5 years?

(Showing percentage selected)



# Be bold. Act now.

The worst of the post-pandemic volatility and uncertainty are behind us.

However, longer-term, fundamental disruptions to how we work and live—from the warming planet, to greying populations, to a fracturing world order, to the hyper-fast development of AI—are all reaching tipping points. How and where your company drives value for its customers, shareholders, and employees is shifting.

Positioning your company to build a sustainable future and make the most of the opportunities that are emerging means being focused and deliberate, today.

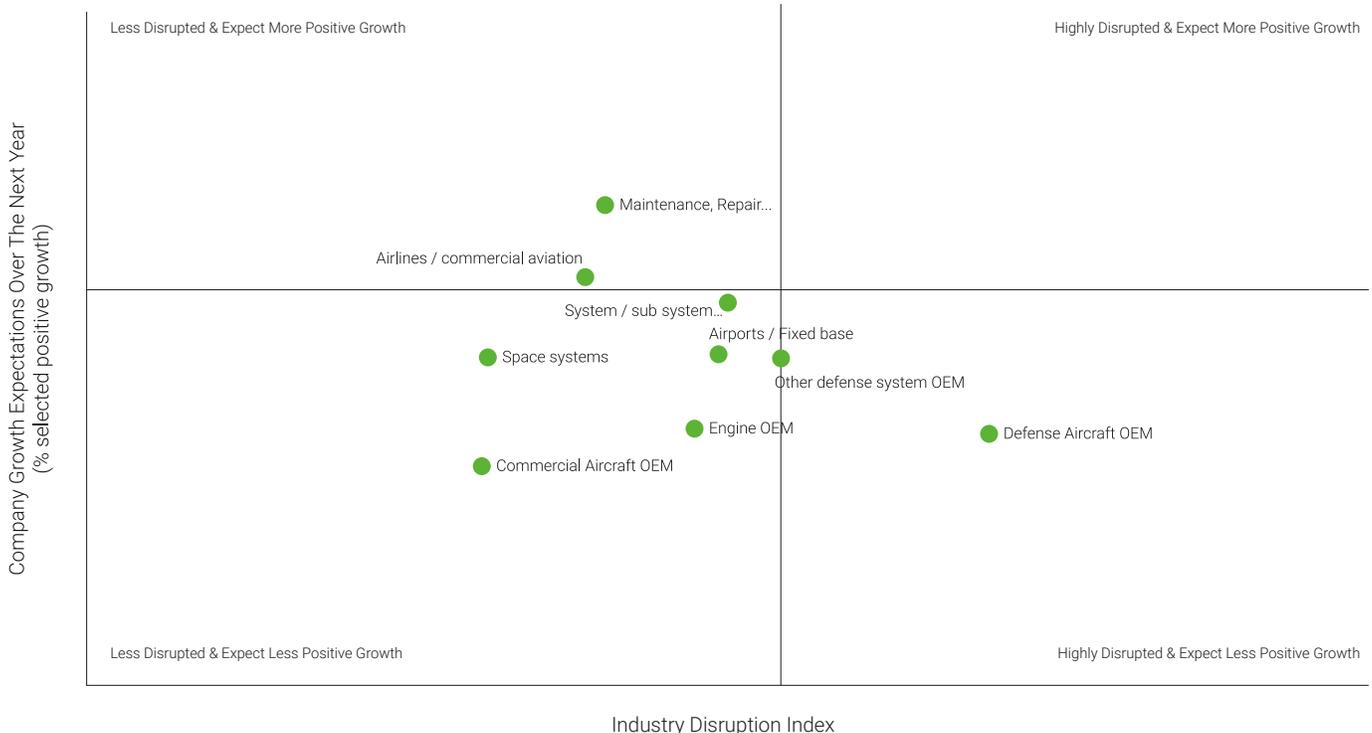
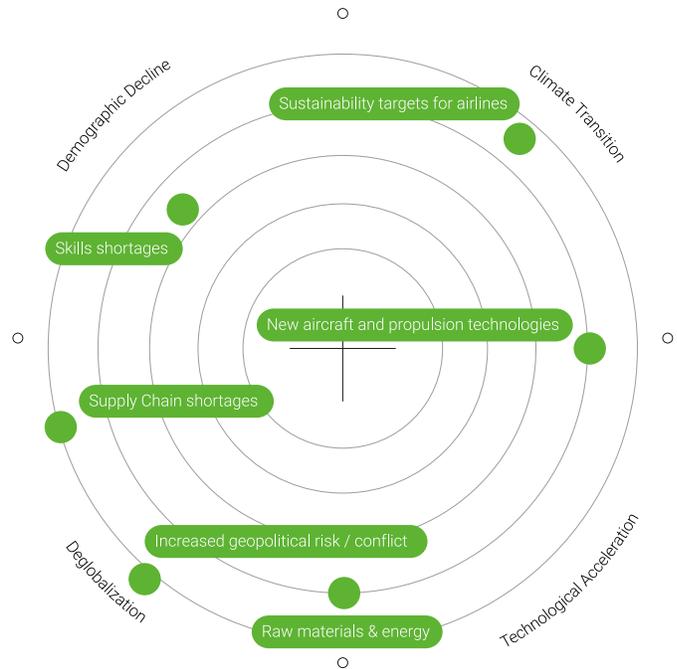
# Industries

# Aerospace & Defense

As private operations push into low Earth orbit, airlines and aircraft manufacturers look to the next era of travel, and government and military organizations adapt to a disrupted geopolitical order, the horizons are changing. In 2023, the industry faced challenges—some shared with other industries and some unique—including supply chain disruptions, production lags, escalating borrowing costs, and acute labor shortages. Charting a course of sustainable growth—whether organic or through M&A—requires a deep understanding of turbulence in the industry, from supply-chain challenges to vertical integration, and from financial headwinds to leading-edge innovations. Thirty-nine percent of these executives tell us that they expect their business model will change significantly over the next year.

The aerospace and defense industry needs to become more agile. Capitalizing on tomorrow's opportunities requires leadership and vision today.

## Disruptive forces

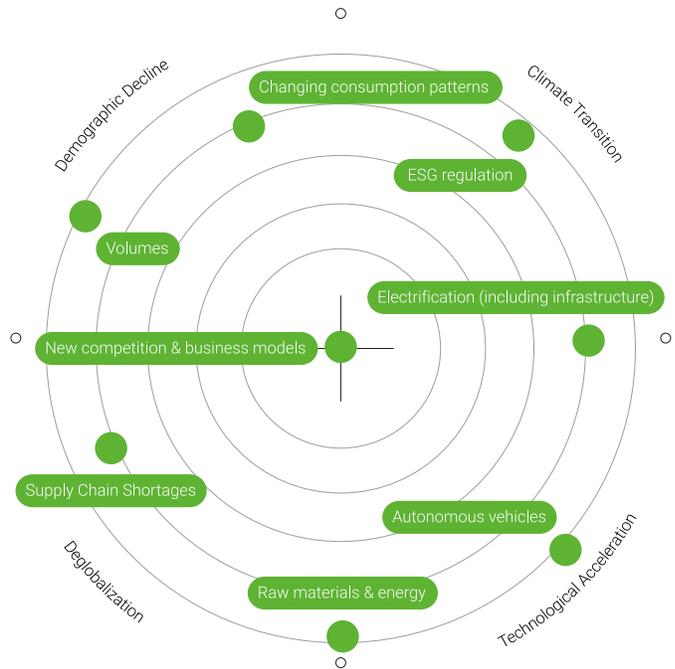


# Automotive

The automotive industry is in a complex and deliberate transformation unlike anything it has experienced in over a century. Electric-vehicle (EV) sales are growing globally. While the momentum varies from market to market, the transition affects the supply base, manufacturing, service—the entire value chain, from mine to mechanic. It also creates near-term pressure on margins and cash flows. EV margins are not nearly as strong as profits on internal-combustion-engine vehicles, and needed EV-related investments are costly. Software-defined vehicles (SDV) are another highly disruptive trend, requiring the complete re-architecture of the car and brand-new partnerships so as to give the next level in-car experience to consumers. Automotive executives must be prudent in both the timing and scope of investment, seeking to provide game-changing innovations and pricing models while staying in step with customer demand.

A template for how to thrive in today's industry is on display in China. Chinese companies have been successful in not only boosting EV penetration, but some are also competitively pricing semi-automated driving and other tech-forward features. Meanwhile, globally, labor costs and sourcing are in focus following the historic gains won by the United Auto Workers union in America, increasing concern about supply-chain resilience and wage costs in China, and manufacturing over-capacity in Europe. After years of decline, automotive unions around the world aim to flex their muscles again—which is already having an effect on suppliers as well. Despite these challenges, auto execs (64% of them) were the most likely of those in all industries surveyed to tell us that new business models were an opportunity for their company.

## Disruptive forces



# Consumer Products

Digital disruption, sustainability concerns, and changing lifestyles are reshaping consumer behavior. The growth of e-commerce and direct-to-consumer channels is transforming these companies' traditional routes to market, relationships with consumers, and the speed at which they need to deliver. At the same time, inflation, global supply-chain complexity, and labor challenges are complicating value creation for consumer products (CP) companies.

As a whole, this industry is the least optimistic about the potential of AI to help its performance, and two-thirds say they are not currently investing in it. Only 34% of CP executives say they usually drive disruption in their business, which is 10 percentage points lower than the overall average. And CP leaders are the least likely to say that their leadership style thrives in a disrupted environment. Yet sourcing, manufacturing, distribution, and retail are all experiencing radical change. The smartest companies will act now both up and down the value chain before others take away their options.

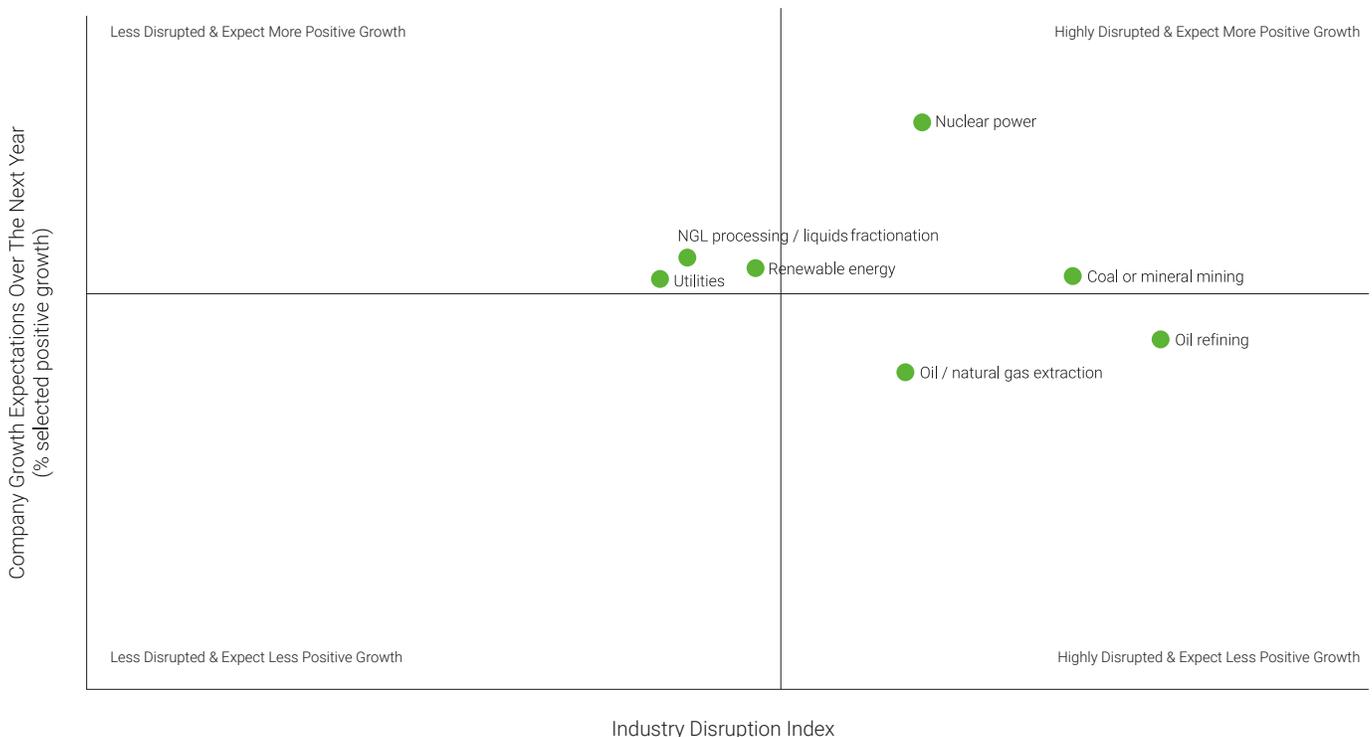
## Disruptive forces



# Energy & Power

Volatile energy and other commodity prices, along with supply chain disruptions, posed significant challenges to the energy and power sectors in 2023, affecting their financial performance during a period of substantial investment in the net-zero transition. Despite continued growth in renewable energy capacity, wind energy faced notable obstacles, including labor and capital cost pressures, permit delays, and component shortages. Additionally, geopolitical risk remains a significant concern, particularly in the oil and gas industry, with two-thirds of respondents saying that geopolitical tensions are causing them to change their business strategy. The agreement reached at COP28, where countries committed to a transition away from fossil fuels, will further drive the need for investments in green technologies, and expedite the shift towards renewable energy sources.

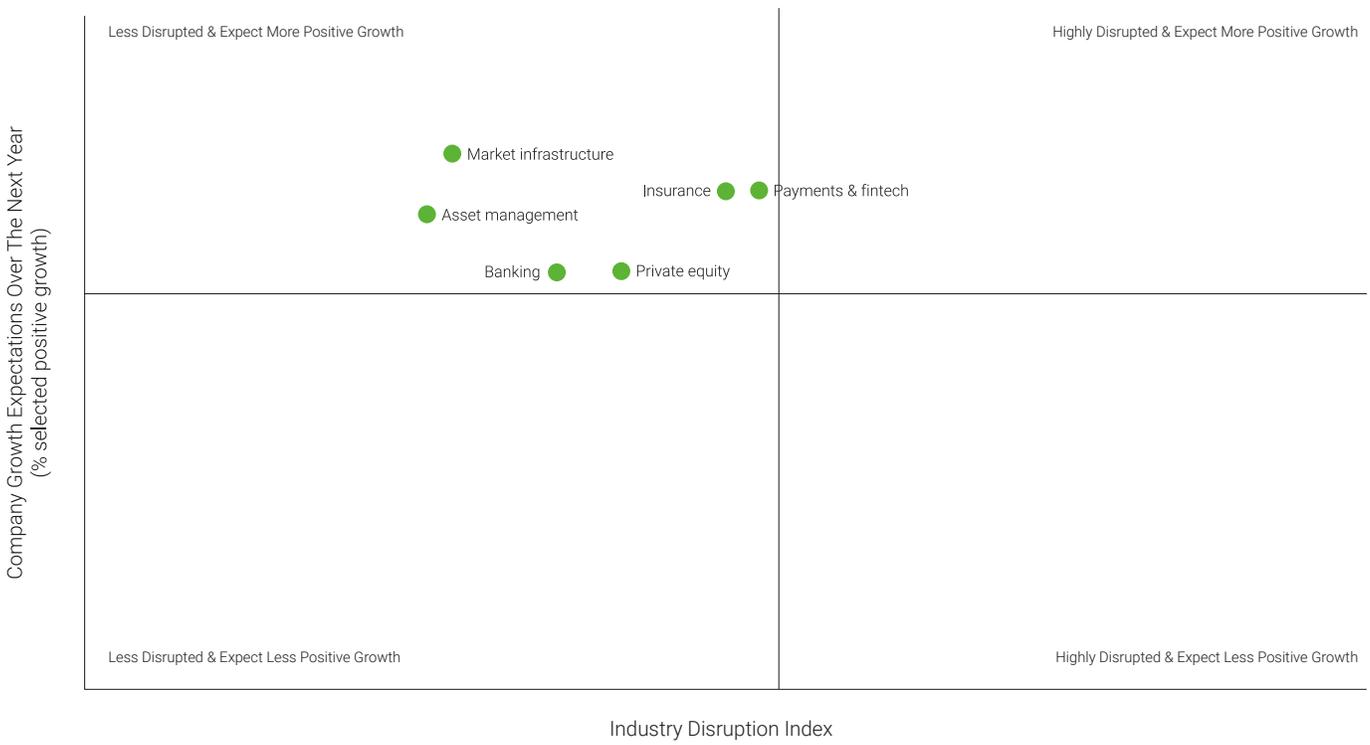
## Disruptive forces



# Financial Services

The global financial services industry has been disrupted by a combination of rising interest rates, moderating but continued inflation, and greater regulatory pressure in 2023. Despite facing the worst banking crisis since 2008 in the first half of the year—including the failures of Credit Suisse, First Republic, and Silicon Valley Bank—the industry as a whole showed itself to be as resilient in the face of extreme volatility. While a rising rate environment has proven a challenge, a sustained period of higher interest rates could relieve some of the profitability pressure that the banking sector, in particular, has endured over the past decade. Harnessing technological innovation—particularly generative AI—will be one of the industry’s biggest opportunities and potential risks in the years ahead. Indeed, financial-services executives are 33% more likely than others to say that AI should be a top technology investment priority this year. (Only tech companies are higher.)

## Disruptive forces

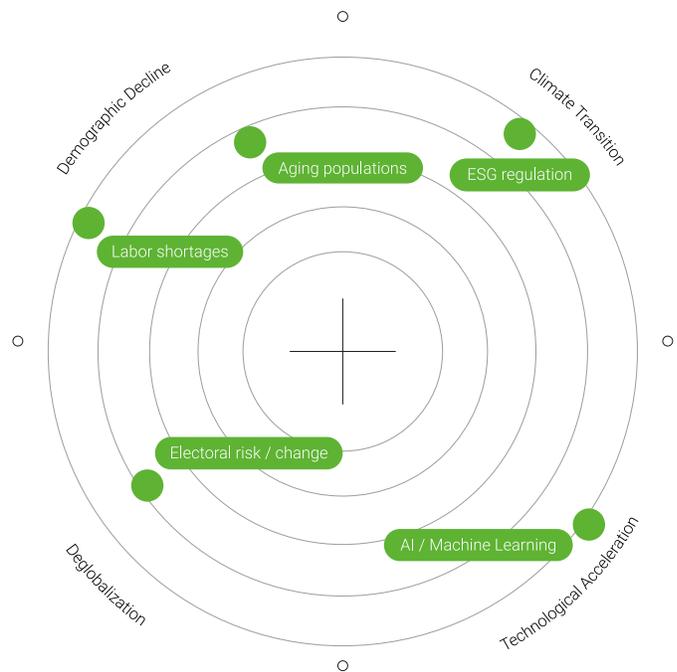


# Healthcare & Life Sciences

In healthcare and life sciences, leading-edge therapies and approaches are changing patient outcomes. They're saving lives in some cases, and improving quality of life in others. However, the enterprise is complicated by sharp competition, labor shortages, value-chain threats, and litigation. Workforce challenges have proven particularly acute in recent years, given effects from the pandemic, inflation, and staff burnout, which have led to strikes and other labor actions. The industry has the highest AlixPartners Disruption Index Score, and 74% of healthcare executive say disruption is so pervasive it is difficult to know how to prioritize their actions—14 percentage points higher than the overall average.

The companies succeeding in their mission, whether they procure labs and facilities, pharma, biotech or medical devices, are using practical strategies to harness disruptive technology. And they're doing so efficiently and cost-effectively.

## Disruptive forces

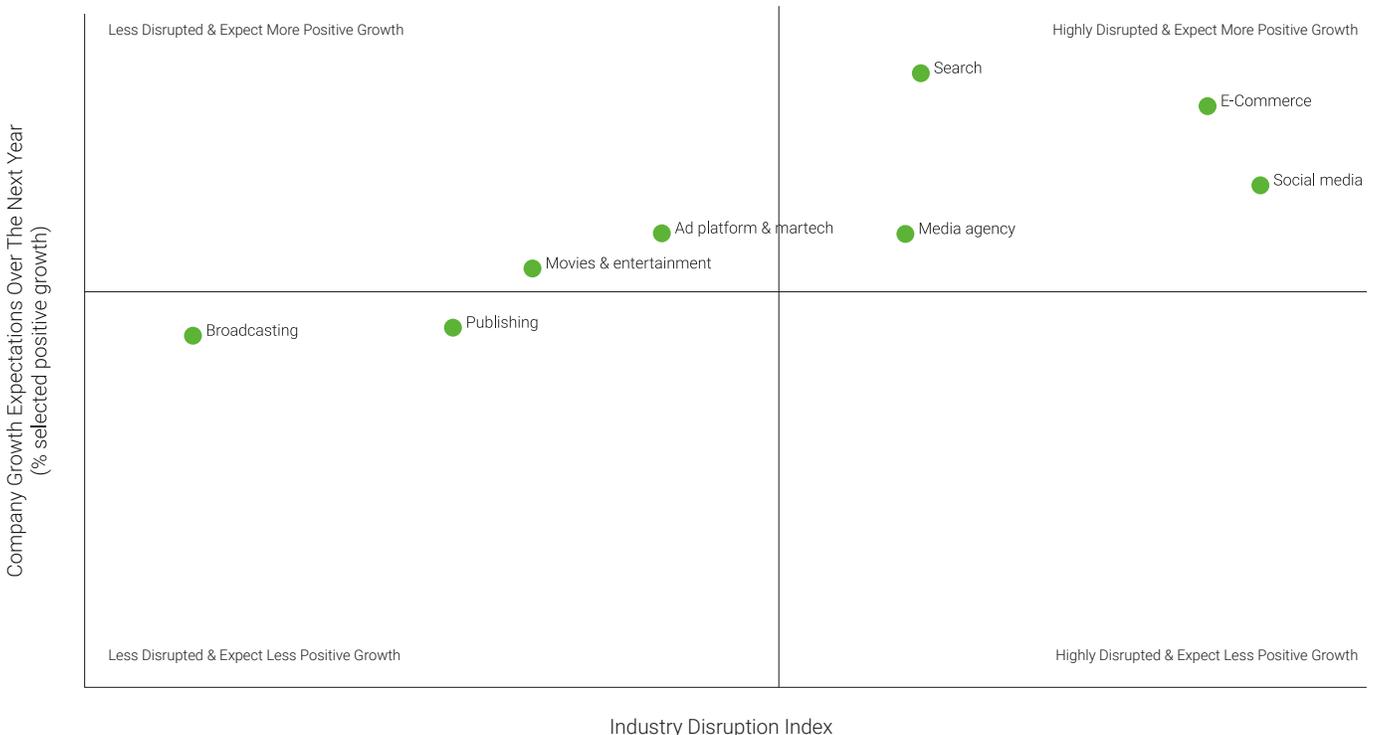
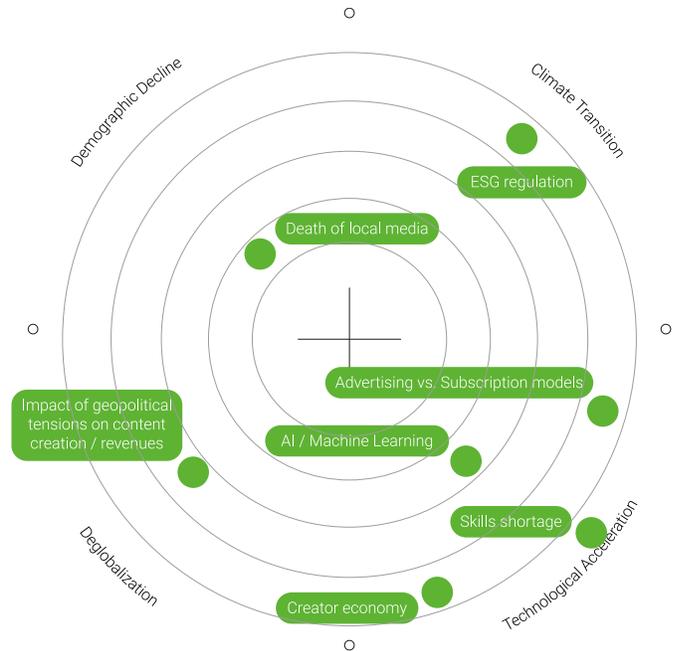


# Media & Entertainment

The media and entertainment industry has long been a symbol of creative destruction. However, in the past three decades, digital disruption has upended established business models as new technologies, competitors, and changing consumer behaviors drive waves of innovation and transformation. As a result, household-name companies have broken apart, and there's a free-for-all battle for revenues and profits among content creators, advertisers, channels, and digital networks. These challenges have been exacerbated by external economic pressures and consumer fatigue. They also create openings; 75% of industry executives say that AI will provide an opportunity for their enterprise, compared to 67% overall.

Legacy media businesses, including broadcasters, publishers, and traditional advertising channels, which once claimed a substantial share of the media value chain, must adapt to survive in this evolving landscape. At the same time, emerging players must fiercely defend and expand their competitive advantages in an increasingly crowded environment. Any momentary lapse in focus could allow others to gain a competitive edge. All this while technology continues to shake up the industry.

## Disruptive forces



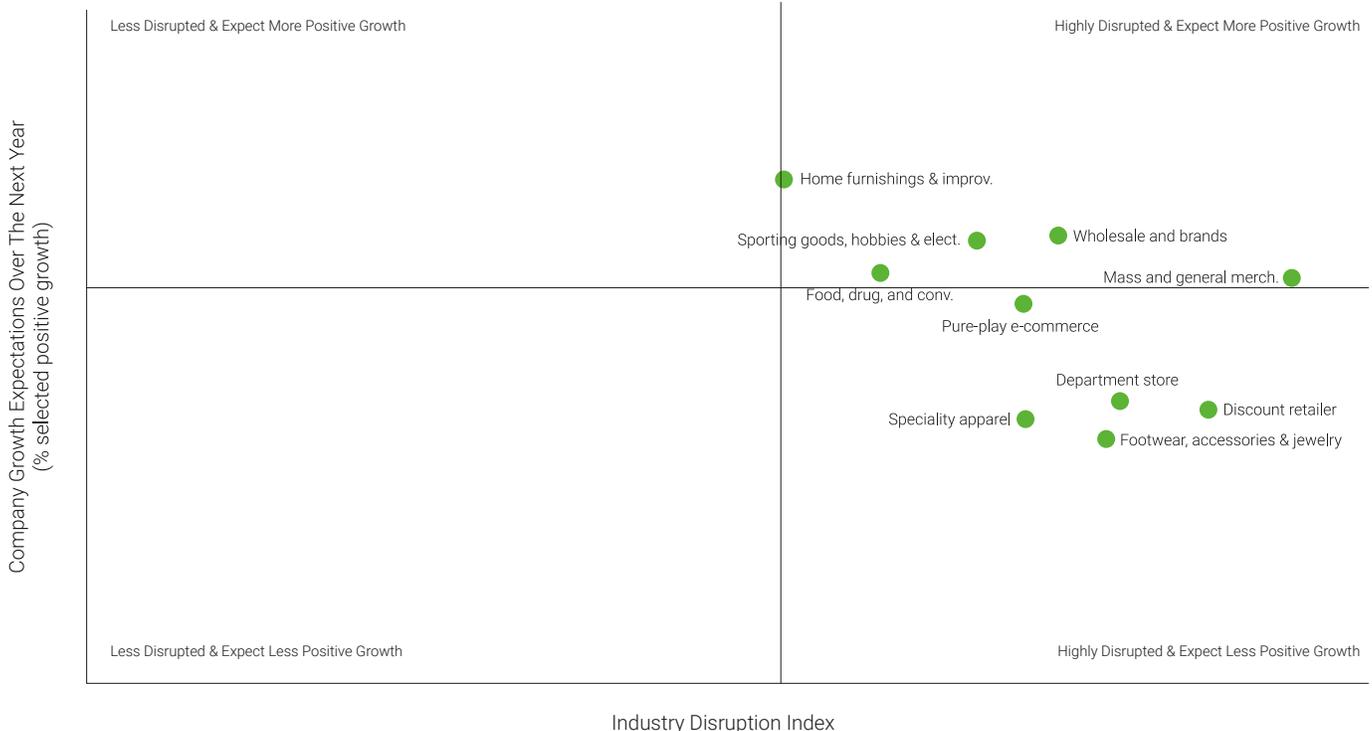
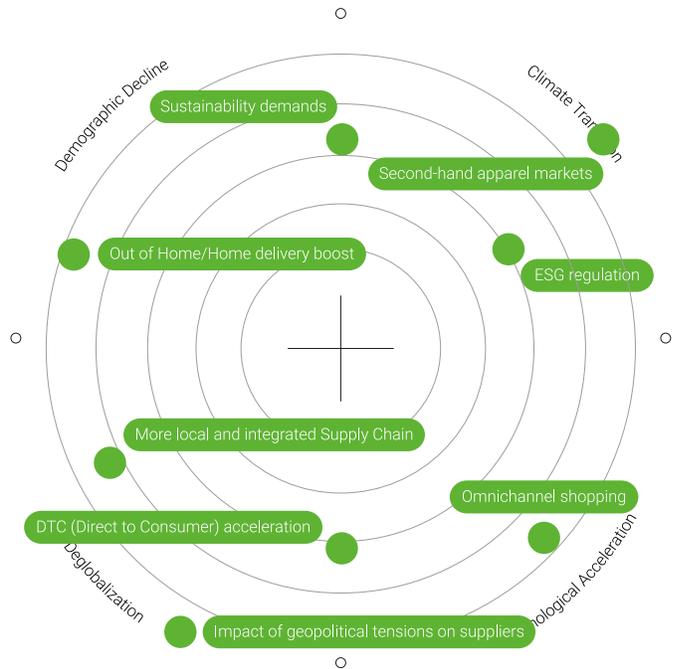
# Retail

Small shudders in the economy quickly ripple through retail, as consumers adjust their decisions about what to buy and how. They may only be a click away from a purchase, but consumer behavior and overall demand are driven by in-store experiences, supply chain logistics, inventory, pricing strategy, retail media and messaging, and brand loyalty.

Retailers are pressed to meet customer, supply, and overhead pressures, but struggle to translate investments in product and process to profitable growth.

The entire ecosystem has been disrupted, from manufacturers to retailers to landlords, luxury to mass produced goods, and every touchpoint in between. Despite market volatility and inflation in 2023, the industry has shown resilience and growth. Facing continued headwinds into 2024, the winners in this landscape need a shrewd sourcing strategy, agile operations, and a smart uptake of tech like artificial intelligence if they are to stick around to respond to the next evolution in consumer behavior. It's no wonder that 50% of retailers expect to see significant change in their business model this year—the highest of any industry group.

## Disruptive forces

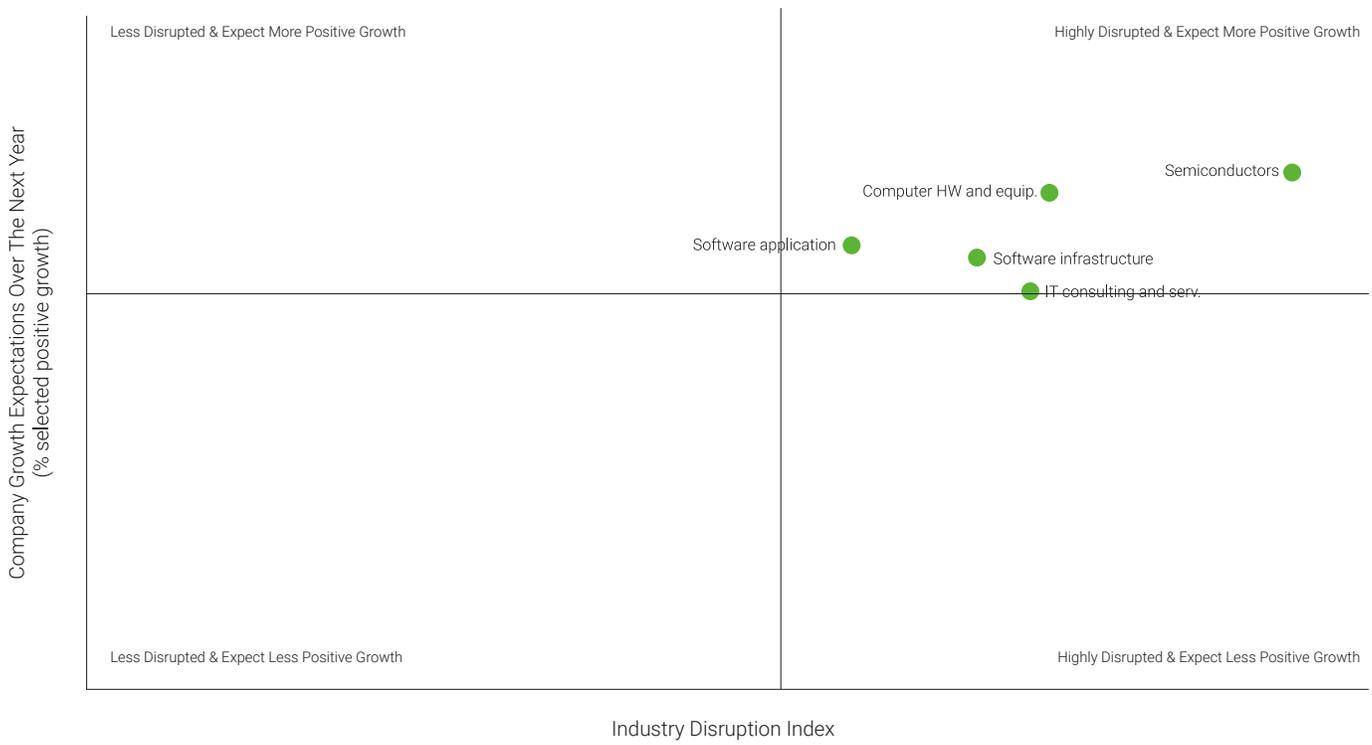
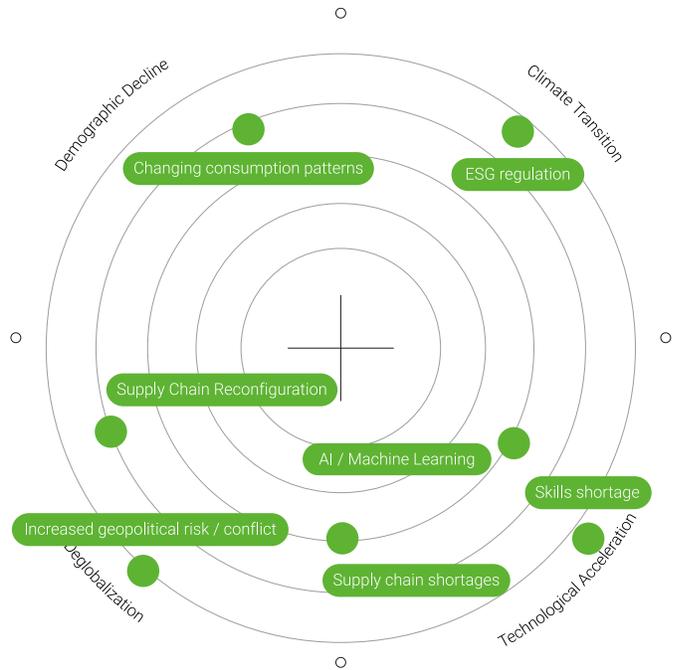


# Technology

A critical driver of disruption across every industry, tech companies have themselves faced their own disruptive periods in 2022 and 2023 as growth slowed from pandemic highs. As a result, the industry reported a four-point increase in its AlixPartners Disruption Index (one of three industries whose ADI rose). As growth slowed, many technology companies have had to shift their strategy from a growth-at-all-costs model, taking steps to control costs, reduce headcount, and increase profitability. Finding a path toward profitable growth appears to be paying off for some, as the industry as a whole (including some of its biggest players, such as Alphabet, Amazon, and Microsoft) have seen two quarters of growth in both revenues and profitability in 2023.

Companies that have yet to make that transition may be forced to confront an underlying existential question for any business: Can they sustainably generate enough free cash flow on their own to survive? And can they find defensible competitive positions in an industry whose dominant players are so powerful?

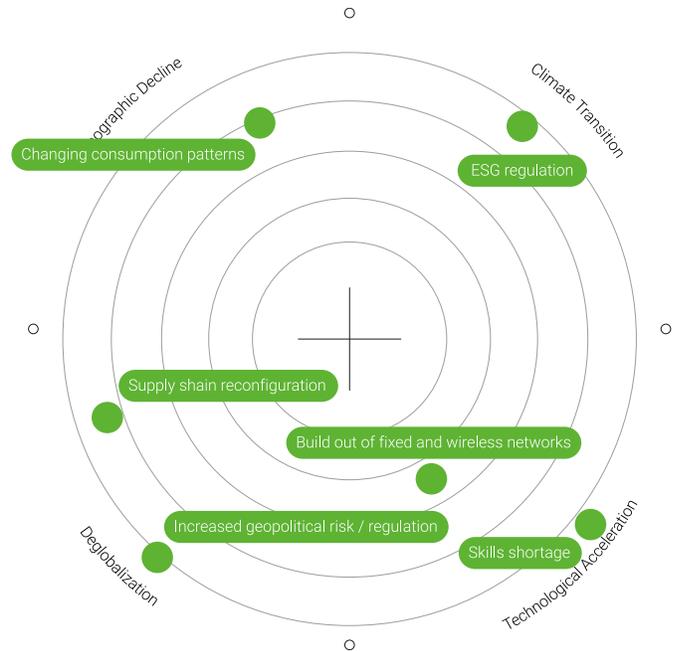
## Disruptive forces



# Telecom & Cable

Telco operators are at a crossroads. Over the last two decades, their growth ambitions have largely failed or faded. To make matters worse, digital natives have reaped the rewards of their hefty investments in 5G, and fiber build-out has lower than expected ROI, especially with the increased cost of capital. To prevent future value loss and migration, operators must stop sugarcoating the reality. The industry is one of three in this year's survey to report higher disruption this year. What we also see is that the growth and profitability leaders consider the disruption as an opportunity, with zero focus on the digitization of their core, meticulously focusing on execution to achieve returns on their investment. The winners are also aware that the most significant impediment to success are internal constraints within their own organizations. The path forward must be centered on a lean operating model that provides an integrated, unconstrained connectivity both terrestrial and non-terrestrial. Integrated connectivity leveraging existing and new assets will help reduce carbon footprints and attract talent, which has been a key gap for telcos in the last decade. The whole success of digitalization of the industry will predominantly depend on how well the operators live up to the challenge.

## Disruptive forces



# Survey methodology

The AlixPartners Disruption Index (ADI) measures the state of disruption across major industries and regions.

We asked senior executives across 10 industries and 11 countries questions on the degree to which their business is being disrupted, the various disruptive forces impacting them, the pace at which these disruptive forces are accelerating, and the strategies they are employing to confront them. Using these responses, the ADI provides a measure of the magnitude and complexity of disruption that organizations are facing, accounting for overall disruption levels as well as the number of disruptive forces confronting an organization.

## Business executives defined as...

- Ages 25-65
- Employed in one of the nine countries listed below
- Director level or above
- Company revenue of \$100 million+
- Having insight into disruption trends facing their industry

## 11 countries:

U.S., Canada, U.K., France, Germany, Italy, Switzerland, China, Japan, Saudi Arabia, and the United Arab Emirates

## 10 industries:

Aerospace & Defense, Automotive, Consumer Products, Energy & Power Generation, Financial Services, Healthcare & Life Sciences, Media & Entertainment, Retail, Technology, Telecom & Cable

# 3,100

## executives surveyed

### 310

per industry

### 1,000

North America

### 1,100

EMEA

### 1,000

APAC

All results show combined, global data unless otherwise noted. U.S. n=667, Canada n=333, U.K. n=211, Germany n=194, Italy n=193, France n=209, Switzerland n=193, China n=667, Japan n=333

For the purposes of this report, most fieldwork was conducted using multimodal online and telephone interviews from August 1 - September 28, 2023.

50% of executives surveyed are C-level and 50% of executives are working for \$1B+ companies.

A supplementary survey of Saudi Arabian and UAE executives was conducted from June 15 - 22, 2023. 100 executives were surveyed (50 from KSA and 50 from UAE), representing 10 in each industry.

$$\text{AlixPartners Disruption Index} = \sqrt{(10 * \sqrt{\text{Complexity}}) * \text{Magnitude}}$$

The Complexity  
of Disruption

Number of simultaneous forces impacting  
companies over the last year

×

The Magnitude  
of Disruption

Assessment of how disrupted companies  
have been over the past year

"How strongly has your company been impacted by each of the following disruptive forces?"

(% at least somewhat impactful, global)

"How disrupted would you say your company has been over the past year?"

(% selected response, global)

