Reinventing for resilience
A CEO's guide to achieving long-term profitable growth
# Table of contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>Introduction</td>
</tr>
<tr>
<td>06</td>
<td>Success in an uncertain world</td>
</tr>
<tr>
<td>08</td>
<td>Long-term high performance: Defined and measured</td>
</tr>
<tr>
<td>10</td>
<td>The characteristics of highly resilient companies</td>
</tr>
<tr>
<td>23</td>
<td>Achieving resilience: Recommendations for CEOs</td>
</tr>
<tr>
<td>27</td>
<td>About the research</td>
</tr>
</tbody>
</table>
Introduction

In California’s Death Valley National Park, there are bristlecone pine trees that have survived in some of the planet’s harshest conditions for 1,000 years.¹

They don’t succumb to extended periods of cold or drought, nor to acute threats like the recent emergence of the bark beetle. They are survivors. But more than that, they are adapters. They continually reset their resilience to fend off whatever Mother Nature throws their way.

There’s a lesson here for today’s business leaders. They, too, have experienced near constant disruptions in recent years. The pandemic. The recovery and re-emergence. The war between Russia and Ukraine. The threat of a looming global recession. All of these shocks, by themselves and together, have had a profound impact on the economic, social and political climate in which they operate. These shocks have reset the competitive environment. And redefined what true leadership means.
To survive and thrive in an increasingly uncertain environment, leaders must deliver strong near-term performance. At the same time, they must invest in building their resilience over time. Achieving that dual imperative is challenging. But they can do both.
Success in an uncertain world

CEOs today are navigating an extraordinarily complex and dynamic business environment. The accelerating pace of technology advances, consumer demand shifts and climate change are just three forces changing how the world operates. There are many more.
Resilience is a company’s ability to withstand, adapt and prosper through uncertainty and volatility—to ultimately emerge stronger.

Accenture’s Global Disruption Index—designed to measure the impact of economic, social, geopolitical, climate, consumer and technological challenges—found that the overall level of disruption increased 200% from 2017 to 2022 (see Figure 1). In comparison, the disruption level rose by only 4% from 2011 to 2016. It’s no wonder that 65% of executives consider today’s environment more challenging than in the past. Or that 93% of CEOs are dealing with 10 or more global challenges to their business.

Future shocks and disruptions are certainly coming. The most successful companies over the long term are those that are the most resilient. These leaders don’t just weather disruption but emerge even stronger. They don’t just adapt to the moment. They continuously adapt and take decisive actions that enable them to grow profitably, while also effectively managing costs. They carefully consider all options and trade-offs to successfully face whatever challenges come their way.

Some companies even use disruption as a catalyst to leapfrog competitors. We found that half of companies growing profitably six years after the 2008 global financial crisis were not growing profitably before the crisis. Three years since the pandemic began in late 2019, the same phenomenon appears to be taking place.

The latest Accenture analysis reveals how leaders build their capacity to withstand disruption—and achieve even higher levels of performance than before. Others looking to set a course for long-term profitability and revenue growth can learn from their examples.

Source: Accenture Global Disruption Index. Each sub-component is based on a set of indexed scores of a set of indicators. 2022 data is YTD.
Long-term high performance: Defined and measured

Accenture recently set out to better understand what the most resilient companies do to influence, control and build the capabilities that enable them to thrive through good times and bad.
We looked for answers to four pressing questions:

1. What are the characteristics of enterprises that consistently report growth in revenue and profitability?

2. What capabilities matter most? And how do those critical capabilities differ from one industry to another?

3. How do leaders adapt to—and emerge from—disruptions?

4. What role does digital transformation play in establishing durable performance?

To better understand the distinguishing traits of companies that sustain profitable growth through volatility, we placed 1,615 global firms in our analysis into one of five categories, based on their revenue growth and profitability performance (see Figure 2).

- More than a quarter of companies we assessed (28%) consistently exhibited below-average growth and profitability throughout the 2017-2022 period.

- Two groups (each representing 22% of our sample companies) demonstrated average performance—characterized by either low growth/high profitability or high growth/low profitability.

- A small number of companies (13%) were designated as emerging profitable growth companies, meaning they have exhibited above-average revenue growth and profitability once the pandemic-induced disruption subsided.

- The final group, representing 15% of companies in our analysis, demonstrated consistent, long-term profitable growth. These companies achieved above-average profitability and growth before, during and after the pandemic and are the group that warrants further examination.

Figure 2: Segmenting companies based on revenue growth and profitability (2017–2022) revealed five performance groups

Notes: Revenue growth is CAGR since disruption (Q4 2019) and profitability is the ratio EBIT/revenues over the last four quarters. For Financial Services companies we took the ratio EBT/revenues. Revenues, EBIT and EBT are in USD.

Source: Accenture Research analysis of 1,615 global public companies.
The characteristics of highly resilient companies

We used Accenture’s Resilience Index to analyze long-term profitable growth businesses across three key performance dimensions and uncovered the important ways in which these consistently successful businesses stand out.
Long-term profitable growth companies don't just sustain their profitability over time; they grow it. We witnessed this during the 2008 global financial crisis, as well. At that time, the gap in profit margins between leaders and laggards increased by more than two percentage points. The gap grew wider and faster during the pandemic, to more than five percentage points (see Figure 3).

Long-term profitable growth companies have the ability to evolve, succeed and prosper through uncertainty and volatility. They constantly “adapt their ability to adapt.”

**Figure 3**

Companies that manage to grow profitably during disruption extend their lead over competitors after disruptive events

Profitability (EBIT Margin) relative to industry peers
2008 Global Financial Crisis (Year 0 = 2008), 2020 Pandemic (Year 0 = 2019)

Source: Accenture Research analysis of 1,615 global public companies.
Companies that achieve long-term profitable growth have consistently higher scores across all the Accenture Resilience Index dimensions.

What enables those companies to deliver profitable growth continuously? What makes it possible for them to pull ahead of their peers after periods of disruption? To answer these questions, we used Accenture’s Resilience Index to analyze companies’ strengths across three performance dimensions—financial, business and technology—from the start of 2018 through the third quarter of 2022 (see Figure 4 and “About the Research” at the end of the report for further details).

Our analysis of long-term profitable growth companies’ performance across the dimensions of the Resilience Index provides three important insights.
Insight 01

Companies with long-term profitable growth demonstrate balanced strength across all performance dimensions in the Resilience Index.
These companies concurrently exhibit keen financial discipline and stronger business and technology capabilities. Almost half of long-term profitable growth companies achieve higher than average scores across financial, business and technology dimensions. The opposite is true of companies with low growth and low profitability: almost half of them are weaker across the three dimensions (see Figure 5).

Even more telling is that companies with long-term profitable growth outpace their low-performing peers across all capability areas for each dimension of the Resilience Index (see Figure 6). For example, the scores of long-term profitable growth companies in financial and customer-related performance are more than 40 percentage points (pp) higher. In sustainability, they score 21pp higher. And in technology, they outscore low-performing companies by 12pp. Even in scores of talent and supply chain, the difference (4pp), although smaller, is consistent. While excelling in a few capability areas but not others may result in a high overall score, the chances that those companies will be able to sustain high levels of profitable growth are likely slim.

**Figure 5**
More long-term profitable growth companies score high in financial and business & technology dimensions

Source: Accenture Research analysis of 1,615 global public companies.
Our analysis suggests that every capability is crucial. This finding is reinforced by additional machine-learning-based research, which compares companies’ Resilience Index scores to publicly available financial data. The machine learning model classifies companies into the right performance group with an up to a 90% rate of accuracy when all capabilities are considered in the analysis. Removing even one capability from the analysis reduces the model’s accuracy rate. The combinatorial effect of actions to boost performance across all capabilities of the index seems to produce the greatest long-term value (see "About the Research" at the end of the report for more details).

Correlated capabilities

A number of performance correlations emerged among specific capability sets. For example, companies scoring highly in sustainability measures also achieved high scores in talent (see Figure 7). Recent Accenture research revealed that environmental, social and governance (ESG) capabilities are a key driver of employee retention. Workers particularly value a work culture of diversity and inclusion, strong governance, and a clear commitment to positive social impact.6

Figure 6
Companies that achieve long-term profitable growth tend to outperform their industry peers across all performance dimensions

Percentile in distribution of strength across industries in Q3 2022

Figure 7
Industries with strong ESG scores also exhibit strong talent scores

Note: Only emerging profitable growth companies are reflected for Health

Source: Accenture Research analysis of 1,615 global public companies.
Insight 02

Long-term profitable growth companies thrive amid disruption
They show consistently higher resilience as defined by the Resilience Index. In times of crisis, they rebound faster—and emerge stronger.

We witnessed this before, during and after the pandemic. While long-term profitable growth companies exhibit consistently higher resilience, they actually extended their lead and widened the performance gap during and after that period (see Figure 8).

Importantly, their scores across all dimensions of the Resilience Index increased. This stands in stark contrast to companies that exhibit low growth and low profitability; these companies see their performance scores decline in each dimension (see Figure 9).

**Figure 8**
Long-term profitable growth companies consistently outperform their peers in all measures of resilience over time—and emerge from crises stronger

Accenture Resilience Index
Average company percentile position of group, relative to industry historical median

Source: Accenture Research analysis of 1,615 global public companies.

**Figure 9**
Long-term profitable growth companies improved performance across dimensions post-pandemic, in contrast to their low-growth, low-profitability peers

Percentile in distribution of change in strength Q4 2019 – Q3 2022

Source: Accenture Research analysis of 1,615 global public companies.
Long-term profitable growth companies consistently outperform their peers in all measures of resilience over time—and emerge from crises stronger.
Insight 03

A strong digital core enables the competitive advantage of long-term profitable growth companies
Companies achieving long-term profitable growth display a commitment toward developing a digital core, with a consistently higher share of investments in new technologies, innovation and cybersecurity. Not surprisingly, the group consistently outscores their low-growth/low-profitability peers by a significant margin (see Figure 10).

But returns on technology investments should not be taken for granted. Dividends from strong technology capabilities are higher when combined with strong business capabilities. Put differently, top-performing companies focus on building a strong digital core not only to strengthen their technology capabilities, but also to upgrade capabilities across all business functions. A strong digital core—embedded across the enterprise—is a unifying element of superior long-term performance.

Figure 10
Technology strength is related to long-term profitable growth, especially when combined with strong business capabilities

**Technology**
Average company percentile position of group, relative to industry median

**Technology + Business**
Percentage of companies in profitable growth group by different combinations of business and technology strength

Source: Accenture Research analysis of 1,615 global public companies.
A strong digital core is a primary enabler of competitive advantage. It leverages the power of cloud, data and AI through an interoperable set of systems across the enterprise that allows for rapid development of new capabilities.

Importantly, the value of a strong digital backbone is amplified when digital investments are combined with a robust talent strategy. The difference between companies achieving long-term profitable growth and those with low growth and profitability expands visibly when technology and talent are combined.

In fact, companies that combine high scores in technology and talent increase their probability of becoming a long-term profitable growth company by a factor of four (see Figure 11). Moreover, recent Accenture research revealed that companies that leverage the full potential of data, technology and people stand to gain a premium of up to 11% in top-line productivity—the ultimate driver of profitability and revenue growth. Yet, only 5% of companies are bringing these elements together in a powerful way, indicating there is opportunity to do more—even among high-performing companies.7

Our current analysis suggests that the development of dual strengths in technology and talent is accelerating after the pandemic: The number of long-term profitable growth companies with consistently high scores in technology and talent resilience has increased after the pandemic.

Figure 11
Long-term profitable growth companies saw their combined talent/technology scores climb post-pandemic
Percentage of companies with strong technology and talent capabilities

Source: Accenture Research analysis of 1,615 global public companies.
An industry perspective

Long-term profitable growth companies display a better balance of strength across the dimensions of the Resilience Index than their low-profitability/low-growth peers. This holds true across all industries (see Figure 12).

While the insights from our analysis apply to all industries, the path to long-term profitable growth is not set in stone. Even the best-performing industries display relative weaknesses across one or more capability areas of the Resilience Index (see Figure 13). Overcoming those weaknesses can help companies achieve higher levels of performance and resilience.

Even more important than industry comparisons are performance comparisons among peers within an industry. Using odds analysis and machine learning, we are able to calculate the likelihood of a company achieving long-term profitable growth. We find that a company has a 70% higher chance of being a long-term profitable growth company if it performs well against its peers than it does against other industries.

Figure 12
On average, long-term profitable growth companies achieve higher performance scores in all industries (displayed at an aggregated level for simplicity)

Industry group median scores in Q3 2022

Source: Accenture Research analysis of 1,615 global public companies.

Figure 13
Long-term profitable growth companies in different industries exhibit different resilience strengths and weaknesses

Long-term profitable growth companies—scores by industry and dimension, Q3 2022

Source: Accenture Research analysis of 1,615 global public companies.
Achieving resilience: Recommendations for CEOs

We've compiled three actions leaders can take to weather volatility and disruption, achieve resilience, and set a course for reinvention with confidence.
CEOs looking to achieve the resilience that ensures long-term profitable growth should take three actions now:

01. Prioritize early investments in core digital capabilities and talent

Leverage the power of cloud, data and AI—including disruptive advancements like Generative AI—to drive agility, innovation and transformative change at scale. To effectively build resilience in these dimensions, take a human-centric approach—integrating with and enhancing your talent strategy and focusing on diverse teams who are skilled to address today’s challenges and seize future opportunities.

02. Reinforce financial discipline

Maintain a strong balance sheet, allocating capital with consideration of short-term gain and long-term performance. Establish a robust set of checks and balances to manage cost structures, minimize financial risk and invest in transformation without over-extending. Companies that develop through-cycle financial discipline are more resilient and have a better chance of becoming consistent long-term leaders among their peers.

03. Adopt a holistic approach to resilience

Multiply the competitive advantage of both a strong digital core and financial discipline by simultaneously investing in key business capabilities that drive resilience. Advance a strong ESG agenda to attract the right talent and enhance consumer perception. Develop a customer-centric commercial operation to increase loyalty and enhance experiences for new and existing customers. And continue strengthening the supply chain and operational capabilities to cope with current and future distress and shocks.

The balanced posture among leaders is an important finding. Financial discipline and business and technology resilience are critical enablers of long-term profitable growth. But strength in one or two dimensions is not enough. All three are necessary to build a durable enterprise that thrives in good times and bad, consistently. This does not mean that all dimensions carry equal weight in making a company a consistent leader; that weight may differ across industries. But it is their combination that improves the likelihood of securing long-term profitable growth.
Facing a steady stream of uncertainties, CEOs’ need for resilience has never been greater.

Our study shows that a handful of companies are successfully navigating disruptions—and consistently achieving long-term profitable growth along the way. These leaders are taking a different (and more balanced) approach to building financial discipline, as well as business and technology resilience. They understand the need for continuous renewal. Their CEOs and executives are embracing new leadership skills that embolden them to take decisive actions. In all these ways, they are setting the stage for Total Enterprise Reinvention and providing a roadmap for others looking to achieve long-term profitable growth.

These findings are consistent with Accenture’s definition of Total Enterprise Reinvention. The most resilient companies in our analysis, like companies pursuing a strategy of Total Enterprise Reinvention, invest in a strong digital core and multiply its advantage by enhancing their talent strategy with diverse teams and new skills.

They are “boundaryless” and break down organizational siloes. They tackle capability development in an end-to-end fashion. They understand that every dimension of performance is interrelated and must be approached in a holistic way. And they generate—and manage for—greater financial and non-financial outcomes.

**Total Enterprise Reinvention:**

A deliberate strategy that aims to set a new performance frontier for companies and, in most cases, the industries in which they operate. Centered around a strong digital core, it helps drive growth and optimize operations.
About the Research

What is the Accenture Resilience Index?

Accenture’s Resilience Index offers a framework to evaluate performance across a company’s functional value chain in order to uncover the link between the strength of that company’s capabilities and its competitiveness. We used this index to review the resilience of more than 1,600 companies operating across 18 industries globally.

The quarterly time series from Q4 2017 to Q3 2022 was selected to assess and understand how these companies performed before, during and after a disruptive event (i.e., the COVID-19 pandemic) along financial, business and technology dimensions.
Dataset construction

Our model leverages outside-in data to construct a set of indexes (0-100) reflecting a company’s percentile position within its industry peer set along three macro-dimensions: financial strength, business strength—which includes strengths associated with customers and sales, talent, supply chain and operations, and sustainability (ESG)—and technology strength. The overall Resilience Index score is the average of financial, business and technology strength.

Strength dimensions definitions

The Resilience Index scores are signals of strength across the following dimensions:

- **Financial discipline**: ability to sustain a healthy balance sheet. We measure it through the Altman z-score.
- **Customer and sales**: ability to sustain and grow sales and a loyal customer base.
- **Talent**: ability to attract a diverse and inclusive workforce, providing them with flexible schedules and training focused on developing the right skills for now and the future.
- **Supply chain and operations**: ability to manage economic and geopolitical risks associated with the geographic footprint of the supplier and sales network.
- **Sustainability**: ability to embed environmental, social and governance (ESG) measures and practices across the organization.
- **Technology**: investment in data, AI and cloud applications, and infrastructure required to drive agility and innovation at scale, as well as investments to safeguard technology systems.

Some industries exhibit greater variability of performance than others

Distribution of Accenture Resilience Index scores across industries, Q3 2022

[Figure 14]
**Profitable growth segmentation**

We clustered companies into groups based on their capacity to grow profitably before and after a disruptive episode. Profitable growth is defined as above-industry peer set median of both revenue growth and profit (EBIT) margins. For companies achieving profitable growth during and after the pandemic, we distinguish between those that were already growing profitably before the pandemic and those that weren't. We call the former group “long-term profitable growth companies.” The latter group comprises the “emerging profitable growth companies.” To understand performance drivers, we compared the strength profiles of these groups with those of companies that achieve below-industry peer median profitable growth—the “low-profitability / low-growth companies.”

**The Resilience Index as a leading indicator of profitable growth**

We tested the power of the index to classify companies into the profitable growth groups by applying machine learning random forest algorithms on a four-quarter lag and trained over the post-pandemic period. The resulting model has an average classification success rate of 80%. It is most accurate in classifying low-profitability/low-growth companies and long-term profitable growth companies, with 87% and 79% success rates, respectively.
References

1 Sarah Kaplan, "Scientists rush to save 1,000-year-old trees on the brink of death.,” The Washington Post, July 14, 2022.


5 Unless otherwise indicated, all data within this report is attributed to Accenture Research insights and analysis from the Accenture Resilience Index, which contains data from 1,615 global companies.

6 Accenture Future of Work Study, March 2021; N=9,326 employees; 11 markets.


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About Accenture

Accenture is a leading global professional services company that helps the world’s leading businesses, governments and other organizations build their digital core, optimize their operations, accelerate revenue growth and enhance citizen services—creating tangible value at speed and scale. We are a talent and innovation-led company with 738,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world’s leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities.

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