REVENUE GROWTH: PERCEPTION OR REALITY?
Accenture Strategy recently surveyed approximately 800 business leaders from diverse industries across the world to identify sources of corporate growth and better understand what executives are doing (or not doing) to grow revenues and bolster their competitiveness.

The vast majority of business executives (81 percent) are confident they will achieve their 2020 projected growth rates, according to findings from recent Accenture Strategy research (see Figure 1). While there are distinctions among companies by size and industry, 85 percent of executives generally believe their organizations will grow revenue by 5 percent or more over the next three years. An even greater number (88 percent) believe they are likely to outperform their industry peers. All this corporate confidence in a macro economic environment where GDP growth for advanced economies barely exceeds 2 percent.¹
Optimism among business leaders is a good thing... when it is tethered to reality. Clearly, for many of the business executives we surveyed, that connection has been severed. By our estimates, half of our survey respondents are in for a rude awakening. On the positive side, that means half are on course to achieve the revenue growth they have envisioned.

What distinguishes these two groups? And what can the former group learn from the latter?

**FIGURE 1.** Business executives are extraordinarily confident of their abilities to achieve growth objectives

**How confident are you that your organization will attain its 2020 projected growth rate?**

- Not at all confident: 1%
- Somewhat confident: 18%
- Confident: 56%
- Extremely confident: 25%

*Source: Accenture Strategy Revenue Growth Study, 2018  
$n = 815$*
OBSTACLES TO GROWTH

From our overall sample, only 9 percent of business leaders believe their businesses’ growth strategies are at a high risk for disruption (see Figure 2). Less than a third believe they are at “some” risk. The majority of business leaders appear to sleep very well at night. This restfulness might be warranted if leaders had a clear line of sight into the sources of their growth over the next several years and solid plans to stave off disruption. Most don’t. The majority of executives claim to be at minimal risk of disruption because they have limited awareness of the threats that could potentially undermine their business and operating models. For them, optimism for growth goes hand-in-hand with a lack of appreciation of all that could go wrong. Ignorance is bliss. Until it is not.

For the 39 percent of business leaders who recognize they are at some risk or high risk of disruption, competition poses one of the greatest threats. It’s always been that way, of course. What’s different now is that new entrants and entrenched incumbents, alike, are more willing to challenge the status quo. They are utilizing new and emerging technologies and mobile solutions to alter, if not re-imagine, all that they do. Other external forces that have the potential to negatively affect organic growth include government regulations, the complexity of today’s business environment, and evolving consumer behaviors. Inorganic growth is most threatened by regulations and the lack of attractive acquisition targets.
To overcome these obstacles, a number of companies “fight fire with fire.” They use growth disruptors to stage disruption, themselves. This strategy is particularly evident in the planned use of mobility and technology solutions, ranging from platforms and cloud to 3D printing and blockchain. Leaders planning to invest in these types of disruptors expect them to generate 32 percent of their future growth. In this regard, technology and mobility are both enemy and savior.
Unfortunately, the overconfidence that characterizes executives’ views on growth is also at play in their investment strategies. While leaders see the potential value of using disruptors such as technology, flexible workforces or changing regulations to their advantage, at best, only half are sufficiently funding their disruptive capabilities with levels required to become an industry leader. An equal number are just dabbling around the edges, hopeful they will stumble upon a silver bullet. But because their investments aren’t grounded in a larger vision for growth or adequately funded, it is unlikely they ever will. Winners, by contrast, do more than experiment with disruption-related investments. They invest strategically both for short-term wins and long-term, sustainable gains.
Despite the broadly held optimism that our survey revealed, there were notable distinctions between leaders who are preparing to weather disruption and create new growth, and those that are not. Based on analyses of respondents’ reported growth strategies, we categorized the companies we examined into three archetypes (see Figure 3).

Digging deeper into the survey responses, we found that these archetypes differ on a few other dimensions, as well—from their agility, size and industry to their vulnerability to disruption and sources of incremental growth. These distinctions reveal what sets potential winners apart.

**FIGURE 3.** Based on respondents’ beliefs and actions, Accenture Strategy aligned companies pursuing growth to one of three “archetypes”

- **Wayward Pessimists**
  These companies do not believe they will be disrupted. They also do not believe in their abilities to achieve growth. That is not a winning formula.

- **Struggling Realists**
  These companies see the risk of disruption all around them. But they don’t know how to most effectively pursue their growth objectives. They are, in effect, flying blind.

- **Preparing Pragmatists**
  These companies claim to be aware of their risks for disruption. And they express confidence that they will overcome those risks and achieve the growth they seek. Their actions suggest their confidence is wholly warranted.

*Source: Accenture Strategy Revenue Growth Study, 2018
n = 793*
**Wayward Pessimists**

This cohort, comprising approximately one-fifth of the companies in our survey, is less concerned with potential disruptions. While they recognize the threat of competition and regulations, they are more likely to be blind-sided by the negative effects of changing consumer expectations and behaviors, technology and innovation. In addition, and perhaps most importantly, they fail to see the opportunities these disruptions offer for them to take a proactive position. Instead, they float along in a state of unawareness that could very well be their undoing.

Wayward Pessimists typically don’t refine their growth strategies. In many cases, they admit to not even having a growth strategy. Of those that do, the focus is on expanding existing product and service lines and accelerating innovation (e.g. portfolio, service, operational innovations, research and development). Yet, many aren’t really convinced that is the right plan. That is evidenced by the fact that Wayward Pessimists are not nearly as optimistic as companies in the other two groups. In fact, 12 percent of this group believe their growth will stagnate or decline over the next three years. By comparison, only 1 or 2 percent of all companies feel the same. The Wayward Pessimists’ dismal outlook would likely be rosier if they regularly revisited their growth strategies. By choosing not to examine how they will grow, their premonitions of failure become self-fulfilling prophecies.

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**AT A GLANCE**

- **51%**
  - are large companies, with $5 billion or more in annual revenue

- **35%**
  - are from the automotive, banking and communications sectors

- **32%**
  - are based in the United States; another 28% are Australian or German
Struggling Realists

More than a third of companies fall into this category. Struggling Realists are aware their future growth is at risk for disruption. Digital disruption (cited by 39 percent of respondents) is noted as the top barrier to organic growth, while the availability of attractive targets hinders inorganic growth (57 percent).

But like their Wayward Pessimist counterparts, many Struggling Realists have likely not yet identified the disruptors that pose the greatest threat or offer the greatest opportunity for competitive advantage. For example, this group expects changing government regulations to have the greatest negative impact on their growth strategies, and robotics and automation to have the least. In all likelihood, robotic process automation will be a larger disruptive force than many imagine.

Interestingly, nearly half of this group are wildly optimistic about their chances to grow faster and bigger than their competitors. Yet, we contend that many Struggling Realists are not sure how to achieve the growth and competitiveness they envision. For 73 percent of them, strategies involve focusing on existing products for incremental growth. This reliance on existing products suggests that these companies are not paying enough attention to the potential impact of innovation and changing customer demands. Instead, they are planning to use yesterday’s products and services to meet tomorrow’s needs. Among those Struggling Realists who have the greatest expectations for future growth, the strategy shifts a bit. Those companies are investing more heavily in new products and new markets. That’s a step in the right direction.
Accenture Strategy has found that companies best positioned to win in the future are using disruptive technologies and capitalizing on new trends and customer behaviors to create new products and services that will set them apart. The largest group of companies (46 percent of our sample) acknowledges that imperative. Currently, 31 percent believe the primary source of revenue growth is tied to new products. Forty-one percent believe new products will be the main driver of growth in 2020.

There are several other characteristics that distinguish this group. Preparing Pragmatists are more realistic in their ambitions and are taking offensive and defensive actions to overcome hurdles and drive revenue gains. Importantly, they are also most confident when it comes to expecting revenue growth of more than 10 percent by 2020. Forty-two percent of the Preparing Pragmatists feel this way. And 56 percent believe their growth rates will be “much greater” than their industry’s average.

We believe this group is also keenly aware of the current threats to profitability and growth and has a heightened ability to recognize new disruptions as they emerge. Further, they embrace disruptions as opportunities. They are receptive to change and invest in strategic disruptors that might scare others away. That’s what makes them prepared.
Such foresight and risk-taking have shaped the business landscape for decades. Many years ago, American Airlines saw the potential risk of Web bookings and quickly made its electronic reservation system for travel agents accessible to the masses. That system ultimately morphed into online travel-booking leader, Travelocity. Brokerage house Charles Schwab saw the potential threat of robo-advisory firms like Betterment and Wealthfront early and dedicated a team to explore the use of algorithms as a portfolio-management tool. The result was a new service, Schwab Intelligent Portfolios, which now leads the robo-advising market in terms of assets under management. With the emergence of online streaming, Netflix wisely saw the writing on the wall for its DVD-rental business. It moved to on-demand video streaming and is now a leading provider of award-winning original content, with 93 million subscribers in 190 countries.

As these examples illustrate, fearlessness among leading companies is most evident in the area of technology and mobility, which was cited by 46 percent of Preparing Pragmatists as the top disruptor of current growth strategy. This group also views technology and mobility—among all potential disruptive forces—as the largest source of future value. In fact, Pragmatists believe 14 percent of their future growth will come from their investments in technology and mobility solutions and capabilities. They invest accordingly. As Figure 4 reveals, Preparing Pragmatists “walk the talk” by more adequately funding a number of the disruptions upon which their growth strategies are based.
FIGURE 4. Across key categories of disruption, higher percentages of Preparing Pragmatists are investing adequately.

Percent of companies claiming adequate investment in key disruptors

Source: Accenture Strategy Revenue Growth Study, 2018
Base: Preparing Pragmatists (n=365); Struggling Realists (n=276); Wayward Pessimists (n=152)
RETURN TO REASON—
AND REVENUE

Every archetype can take steps to unlock additional revenue in the years ahead. Wayward Pessimists arguably have the heaviest lift. But even the Preparing Pragmatists, whom we believe are on track to achieve their growth objectives, have work to do to shore up their competitive advantage.

Here are our recommendations:

Wayward Pessimists should be realistic about what they can accomplish. And paranoid about what can stop them in their tracks.

Our research confirmed that having a deep understanding of growth drivers is especially important for business success. For example, we found that among smaller companies with revenue of less than $10 billion per year, the vast majority (90 percent) did not know where their future growth will come from. But for that handful of companies that did, nearly eight times as many experienced significant growth (10+ percent) in 2016. Wayward Pessimists will never be able to pursue the right growth opportunities unless they identify them first.

The Pessimists should also be more fearful than they are. A self-assessment of the disruptive risks they face can help them not only understand their biggest threats, but also inform their decisions about where to invest and what to disrupt.
When it comes to revenue growth, wishful thinking and silver bullets are not the answers. Rather than flying blind, Realists need to optimize core capabilities, while pursuing new sources for growth. Sticking with a current product portfolio and hoping for a boost in margins is not likely going to get you very far. Capitalizing on changing customer preferences and new trends, business models, markets, products and options for inorganic growth are better strategies.

While many executives opt to hide from disruption, Preparing Pragmatists run toward it. Now, they need to run past it by understanding where their business and operating models are likely to be most vulnerable—and then taking decisive pre-emptive action. Above all, they need to keep investing in the things that scare them. For example, companies that view government regulation as a disruptor—and invest in that disruption—were more likely to have experienced growth of 6 percent or better in 2016.
CHECK YOUR UNBRIDLED OPTIMISM AT THE DOOR

If the business executives we surveyed are correct, nearly every company will flourish and achieve leading market positions in the years ahead. They aren’t. For many, it is clear that rose-colored glasses are blurring the distinction between their revenue hopes and their organizations’ readiness to grow.

Preparing Pragmatists stand apart. For them, getting real is a prerequisite to getting revenue. It’s time other leaders followed the Pragmatists’ lead by clearly understanding the challenges they face and what can realistically be accomplished.
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@AccentureStrat

www.linkedin.com/company/accenture-strategy

CONTACT THE AUTHORS

Bill Theofilou
bill.theofilou@accenture.com
Boston, MA USA

Daniel Hornbarger
daniel.hornbarger@accenture.com
New York, NY USA

ADDITIONAL CONTRIBUTORS

Brian Eggers
brian.d.eggers@accenture.com
Detroit, MI USA

Haralds Robeznieks
haralds.robeznieks@accenture.com
Chicago, IL USA

Konrad Suchecki
konrad.suchecki@accenture.com
Warsaw, Poland
ABOUT THE RESEARCH

From July to September 2017, Accenture Strategy surveyed 815 top executives of companies with yearly revenues of $1 billion or more. The respondents represented a diverse set of geographies and 13 distinct industry groups. The goal of this research was to identify sources of corporate growth, and better understand what these organizations are doing (or not doing) to grow their revenues and competitiveness.

NOTES

1 International Monetary Fund, October 2017.


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