The future of growth and industry:
Tomorrow’s leaders embrace uncertainty and double down on innovation

SPRING 2017
Quick read

We surveyed over 1,000 U.S. business leaders to find out how they are shaping their firms to succeed in the future, looking in detail at how they plan to create, protect and transform value in an era of political uncertainty and technological disruption.

The research unearths a group of leading companies that are making bold decisions and reinventing themselves for the future. They are exploiting innovative technologies, mastering advanced data analytics and taking a more strategic view of risk. Companies are also evaluating the impact of political and regulatory change in the near term that may impact long-term focus.

The gap between these leaders and other businesses will grow as technology widens the performance gap and makes it more difficult to catch up. If a company does not want to be stranded on the wrong side of that chasm, it must initiate farsighted, strategic and profound change.
Introduction

In just a few generations, globalization and technology have created new industries, economic markets and radically different business models. Now, these two agents of change are facing change themselves.

In the past year, voters in the U.S. and UK have pushed back hard on a 70-year trend toward internationalism, challenging policies of open borders and freer trade in a populist wave that is gaining momentum.

At the same time, technology has leapt forward, integrating and connecting data, devices and global markets in ways that were unimaginable just a few years ago. But greater integration and connectivity also exposes the darker side of technology as cyberattacks and data breaches threaten the reputation of businesses.

What does the future hold? And what can businesses do right now to shape their organizations for tomorrow’s opportunities and risks?

In this report, you will learn from the leaders who strive and succeed.

Leaders versus followers: Our methodology

Leaders
Our leader group consists of companies that have seen EBITDA growth of more than 10% in the past 12 months and have set an ambitious strategy of 10%-plus revenue growth to 2020.

Followers
Our follower group is characterized either by decreasing EBITDA over the past 12 months or no expected change in revenue levels over the next three years.
What have we discovered?

• Companies have to get comfortable with being uncomfortable and embrace change — ignoring it is not an option.

• The best way to grow and innovate is to understand the customer. Companies have for too long relied on acquisitions, entering new markets, or expanding products and services — sometimes at the expense of their most valuable asset: their existing customers.

• Protecting the enterprise also means protecting its future. Companies need to guard their assets and brands from very real risks, but the enterprise of the future is also able to balance risk and return. Innovation requires risk-taking, and tomorrow’s leaders are moving beyond compliance to help their enterprises own the right risks.

• The advent of the digital enterprise requires a fundamental reimagining of the business. Successive rounds of restructuring are producing diminishing returns. The future demands a new enterprise with the technologies, talent and culture to embrace change and build a cost advantage. Fortune will favor the bold.

“Our survey of over a thousand business leaders indicates they are laser-focused on creating unique value for their customers and driving innovation to optimize value for their customers and their businesses.”

Nichole Jordan, national managing partner of Markets, Clients and Industry at Grant Thornton
Get comfortable being uncomfortable

Our clients are not shy about telling us that uncertainty is just a fact of life — regardless of company size, location or industry. They see increasingly sophisticated and pervasive technology developments as exciting, if risky. They watch as global populism reshapes the world in ways they didn’t expect. They need to take bold action.

Technology disruption and data

The U.S. plays a significant role in driving technological innovation. Recent research suggests that businesses and governments around the world will spend $3.013 trillion on technology in 2017 — and the U.S. is the largest market.1

The widespread availability of digital technologies is causing significant disruption. Most notably, it’s transforming the structure of competition as we know it. It’s no longer just vast tech multinationals such as Google and Apple that can muscle in on different sectors. As digital technologies lower barriers to entry, traditional companies are also setting their sights on disrupting other industries. In our survey, 79% of the leaders put a high priority on developing products or services that allow them to move into a new sector (see Figure 1).

Connected data and advanced analytics are also transforming the economic value of information and data. Using ground-breaking technologies like in-memory processing and cognitive analytics, organizations can extract value and insight from data that would not have been possible in the past.

Figure 1: Developing products or services to move into a new sector is a high priority for the leader group.

79% of leaders

Only 35% of followers

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At Allscripts, a leader in health care information technology, CFO Melinda Whittington points out how technology advances and increasing data flows are critical to meeting the changing dynamics of the sector and driving growth. “If you think about what can be enabled in the health care space by technology, it’s almost beyond comprehension,” she says. “The push towards value-based care will impact everything from billing and payer interaction, to patient analytics. With electronic health care information for millions of people, for example, you could do predictive modeling on your higher-risk patients. This means you could treat them proactively, rather than later, when something has turned into a serious and expensive condition. The potential for what technology can enable in value-based care is huge.”

But as the world becomes more connected, the borders of the enterprise blur and they become more vulnerable. And as hackers become increasingly sophisticated and state-sponsored cybercrime proliferates, the potential magnitude of a cyberbreach is growing. In addition to bolstering their cyberdefenses, companies will need to establish governance mechanisms to manage the legal risks of using information like customer data.

Global flows of data

Our increasingly digital economy means that global flows of trade are not only about physical goods, but also about flows of information and data across borders.

For sectors like information technology, cross-border data and information flows are key to creating value. Digital companies are able to target overseas growth without making significant capital and resource commitments. In our research, 56% of digital media and communications companies make expanding into new geographic markets a high value-creation priority for the next three years. Fifty-three percent of internet companies also make it a high priority.

Firms across sectors know that they must exploit their proprietary data to keep pace in the marketplace, but data management raises technical and regulatory questions: How do you properly manage your growing hoard of electronic data and exceed customers’ expectations of security and privacy? Regulations are going to be an increasingly important part of this picture.
Political uncertainty and geopolitical shifts

The 70-year global political trend toward internationalism is meeting resistance as sentiment swings in the direction of protectionist trade policies and barriers to immigration. In Europe, for example, elections include candidates running on populist, anti-EU platforms.

The impact of this swing on U.S.-based businesses is still unfolding, and it cannot be ignored by companies planning expansion into international markets. The leaders in our survey are confident and ready to pursue growth through geographic expansion, with 66% of leaders making it a high priority (see Figure 2). Our research also shows that leaders are more likely to attempt to acquire a non-U.S. company over the next three years: 72% say this, compared with 44% of the followers.

Companies need to review the risks of this uncertain environment while keeping an eye on the opportunities, explains Hubertus Muehlhaeuser, CEO of Welbilt, a global manufacturing leader in foodservice equipment and systems. “The biggest financial uncertainty right now is clearly in the U.S. political environment because we are a highly international company,” he says. “We have a lot of manufacturing in the U.S. but also in Canada, Mexico and Europe. And we’re moving product around the world, as many of our other global peers do. So we see the biggest risk right now in tariffs and border protection that might or might not come. At the same time, you have opportunity if the Trump agenda leaves those tariffs out and incentivizes companies and creates the right infrastructure and framework. So it is as much risk as it is opportunity, but it’s the uncertainty right now that is kind of uncomfortable.”

Figure 2: The leader group puts a high priority on expanding into new geographic markets.
An uncertain but bright future

Recent political shifts might become a force for good if they address the more inequitable aspects of globalization without dismantling the positive attributes. We could see greater global cooperation and global growth that benefits both developing and developed nations.

Advances in technology can provide companies with the insights to adapt to different tastes, local markets and even political regimes that may erect borders in the short term. The dark side of technology can be addressed through advanced encryption, transparency and coordinated global political efforts to combat cybercrime.

There will be hiccups, and companies must prepare for those. But there is a bright future. Businesses will take the lead. They will tap their customers, employees and other stakeholders for the best ideas that will drive innovation and solve many of the world’s most challenging problems.
Shaping your business today for tomorrow

With geopolitics becoming more nationalistic and cyberattacks increasing, it would be very easy for companies to pull up their drawbridges and act defensively. Leaders recognize the challenges and are making positive, bold and decisive moves.

They are using their deep understanding of their customers to shape their strategies. They are weighing risk and reward, and seizing innovation opportunities. And they are exploiting automation and advanced analytics to become more efficient than the competition. The future belongs to them.

**Connect with customers to innovate**

Tomorrow’s winning companies understand who their customers are and know exactly what they want. They create profitable relationships with customers because they understand what they are passionate about. This understanding then shapes the company strategy — the capabilities it needs and how it can beat the competition.

In our survey, 62% of executives overall make building stronger customer relationships a high priority. However, it is more likely to be a high priority for the leader group (see Figure 3).

Building strong customer connections is increasingly challenging. Customers are more demanding and trust large institutions less. They expect a relevant, personalized, interactive and immediate relationship, via a channel of their choice.

Companies will only delight these customers if they use behavioral-based customer analytics to innovate their products, services and customer experience. Our leaders know this: 72% of this group is planning to significantly increase their use of advanced data analytics to segment customers, compared with 60% overall.

**Figure 3: The leader group puts a high priority on building stronger customer relationships.**

- 72% of leaders
- 54% of followers
By delving into transactional, social and other data, organizations are moving beyond basic segmentation to hyper-personalization. They can use data to shine a light on customer behaviors, attitudes and perspectives to personalize their marketing, brand messages and the customer experience.

Also, many companies are not organized to make sense of the huge volumes of data on customers. They need the right skills and people to move from information to insight, and they need to decide how customer analytics resources are organized. They need the right processes and governance to manage data, and they need to understand how data will be stored — as well as areas such as data visualization and machine learning.

Shaping the future by understanding the customer

Before they dive headfirst into advanced analytics, companies need to clearly understand their data analytics goals and the level of their ambition.

They then need to establish the size of the gap between that ambition and their resources, building a realistic picture of their existing capability, skills and obstacles. These obstacles might include data that is siloed in different enterprise systems, ongoing concerns over data quality, and gaps in the skills and tools needed to extract insight from data.

Only then can they address those gaps by building the right tools and recruiting the right people to meet both their near-term goals and their future analytics priorities.
Balance risk with opportunity to secure the future

We live in a world where risk has become mega-risk: A concerted cyberattack or political unrest can have a catastrophic financial and reputational effect. The threat of a storm of risks — cyber, tax, regulatory, supply chain and operational — increases as organizations become more complex and events move more quickly in our connected global economy. Risk management frameworks must be kept rigorously up-to-date.

At the same time as the risk volatility increases, the strategic view of risk is also changing. A significant majority of our leader group sees balancing risk and opportunity as a high priority for protecting value (see Figure 4).

These leading organizations know when to take calculated risks. For them, risk is no longer simply a negative consequence that needs to be minimized. An innovative strategic program might be high-stakes in terms of risk, but it could also bring significant rewards.

But understanding the upside value of risk — and understanding when risk-taking is appropriate — is a challenge for many organizations. In our survey, 65% of organizations say that their risk management function is largely compliance-focused. As Figure 5 shows, that sentiment is particularly strong in high-growth organizations. When we look at companies that have seen no EBITDA growth over the past 12 months, less than half (47%) see a narrow compliance focus as an issue. But that rises to over three-quarters for high-growth companies that have delivered between 10% and 20% EBITDA growth. Those growth-focused executives are clearly impatient about the limitations of being too narrowly focused on avoiding negative outcomes. They see the risk function as a department that defaults to saying no, and chief risk officers need to shift this negative perception if they want the risk function to be an influential, strategic partner to the business.

Figure 4: More leaders are putting a high priority on balancing risk and opportunity.

69% of leaders

42% of followers
The function needs to evolve from the department of no to being a partner in strategy development — guiding their organization in owning the right risks. Instead of focusing solely on the potential negative events, risk functions should also assess the potential positive outcomes, and then connect the two. This would allow organizations to understand, for example, whether a high-risk project they are considering has enough potential upside to justify the risk.

**Shaping the future by understanding risk**

Balancing risk and reward is critical in a digital economy, where organizations must be bold in order to stay competitive.

New risk can come from creating new digital channels, sharing data with ecosystem partners and giving increasingly autonomous employees smart mobility tools. And cyberattacks are on the rise, with crime organizations, national governments and politically motivated hackers using increasingly sophisticated tactics.

To keep up the pace of digital innovation while effectively managing increasing cyberrisk, organizations need to ensure that their cybersecurity teams are seen as more than just compliance-focused. Business units are determined to achieve their digital objectives and, if they see the risk function as simply a roadblock to their plans, they might well try to simply bypass security processes and controls. If business leaders see cybersecurity as just a narrow compliance exercise, they could make themselves more vulnerable, as understanding of emerging threats and new mitigation approaches will be limited.

Cybersecurity teams need to partner more closely with businesses. They will have to improve their understanding of business units’ strategies and where the greatest threats to data privacy and security lie. Using data-driven scenario analysis, they can take intelligence-based decisions and, crucially, help leaders understand whether high-risk digital projects will deliver high reward.

**Figure 5: Respondents who agree that our risk management function is largely compliance-focused — by past 12 months’ EBITDA performance.**

- **10-20%** EBITDA growth past 12 months: 77%
- **1-10%** EBITDA growth past 12 months: 61%
- **0%** EBITDA growth past 12 months: 47%
Drive digital transformation for a strategic cost advantage

In the future, most companies will face the threat of agile, competitive disruptors with a lower cost base moving into their industry. So cost reduction is top of mind for U.S. businesses: We found that 56% of organizations are focused on cost reduction as a way to transform value in the future.

Our leader companies are moving beyond tactical cost reduction. Instead, they are taking a much more strategic approach. They are reallocating scarce resources to higher-growth strategies. They are focusing on customers and efficiency by ensuring that they have the tools and information to respond quickly to customer needs.

They are also thinking ahead. Organizations cannot simply think about their cost position today. They need to understand whether they will be lean and agile enough to compete in the future — particularly with those agile disruptors.

Traditional and cyclical cost cutting, such as headcount reduction, will not provide that long-term competitive edge. We found that followers are twice as likely to use organizational restructuring and headcount reduction as a cost-reduction approach than the leaders.

Leaders are looking at areas where they can be a more digital business. They are paying attention to the demands of stakeholders, from boards to customers; learning from digital natives, such as Amazon and Google; and focusing on delighting their customers. Critical areas include:

- Creating the digital workforce, with people and bots working side by side
- Creating the intelligent enterprise through advanced analytics

Blockchain: Rewiring global trade

When people think of blockchain, they inevitably think of bitcoin. But bitcoin is just a distraction from the true potential of this technology. The algorithmic technologies that underpin blockchain could transform the way we manage contracts and transactions, and ensure trust between different parties across sectors from health care to financial services. In our survey, over one-third of banking respondents (36%) say that blockchain will have a high impact on their sector in the next three years.

It is revolutionary because it removes the need for a central authority, such as a bank. It could transform international trade and cross-border payments, change the way companies manage regulatory compliance and mitigate risks in areas such as identity theft and money laundering, and provide the settlement system for all the transactions of the internet of things.

Blockchain is a new technology, and its implications are not yet fully understood. However, forward-looking companies must think now about the skills and competencies they will need to exploit this game-changing technology.
Creating the digital workforce

In our survey, close to three-quarters of the leaders are focusing on automating processes and improving process efficiency as a cost-reduction approach, compared with less than half of the followers (see Figure 6).

They are seeking to use software robots (also known as robotic process automation) to perform routine and repetitive processes that are usually undertaken by full-time employees. The robots can be used throughout the back office and front office, drive down costs, and improve efficiency and compliance.

Before too long, the winning organizations will be combining robotic process automation with machine learning — virtualizing processes that up until now have demanded human judgment.

Figure 6: To reduce costs, the leaders are determined to automate processes and improve process efficiency over the next three years.

73% of leaders

Only 48% of followers
Creating the intelligent enterprise
Management information that is forward-looking and available in real time allows organizations to rapidly adjust processes in response to customer needs and market shifts.

IDC predicts that organizations that analyze all data that is relevant, and then go on to deliver information and insight that can be acted on, will achieve — by 2020 — an additional $430 billion in productivity gains over companies that are less proficient in analytics.2

Shaping the future by understanding transformation
To move beyond short-term traditional cost reduction, organizations need to invest time in working out how to beat their sector’s cost norms, gather the best efficiency ideas and design the programs that will deliver results.

Some areas will be underpinned by new technologies, such as robotic process automation. To seize the potential of automation, organizations need to design an automation strategy that identifies where they can drive down costs and improve process efficiency and compliance.

They will need to design processes that are automation-enabled and implement these at scale, including redesigning the roles of the human workforce to focus on higher-value tasks.

2 Vesset, Dan; Olofson, Carl W; Nadkarni, Ashish; McDonough, Brian; Schubmehl, David; Bond, Stewart; Kusachi, Shintaro; Li, Qiao; and Carnelley, Philip. IDC FutureScape: Worldwide Big Data and Analytics 2016 Top 10 Predictions, November 2015.
Conclusion: Fortune favors the bold

Being uncomfortable disturbs us — but it also makes us act. The rising tides of populism and technological disruption could lead us in a number of directions.

Will the wave of populism break and peter out? Will the established internationalist order adjust to greater global cooperation, improved trade agreements and global job growth? And how will technology contribute to the problems and the solutions? Will it provide companies with the insights they need to adapt to local markets, tastes and political regimes, or will cyberthreats and attacks lead them to share less and worry more?

Customers’ needs continue to change at dizzying speed, disruptive new competitors try to seize value from under incumbents’ noses, and new technologies raise the performance bar once more. In this environment, fortune will favor those U.S. businesses that make bold decisions about how they need to change today to succeed in the future.

When people think about U.S. businesses with the ability to continually make audacious and innovative choices, they often point to companies such as Google. However, traditional companies — such as the 125-year-old GE — also have the capacity to reinvent their businesses and shape a new future.

The chasm between such pioneers and those businesses that are lagging behind will grow wider. To not get caught on the wrong side of that widening gap, business leaders need to understand the threats and risks they face, define the actions they need to take to reinvent their business, and then carry them out. This way, they will be the ones continuing to compete in 2020 and beyond.
About the research

We surveyed 1,092 senior leaders in U.S. companies to understand their key growth, transformation and risk management priorities over the next three years to 2020.

Respondents were drawn from across the C-suite, and included CEOs, CFOs, COOs, CIOs and chief risk or compliance officers.

The research was focused on three core U.S. sectors — IT, manufacturing and banking — and one in 10 respondents were from organizations with annual revenues of more than $1 billion.

The research was conducted by Longitude Research on behalf of Grant Thornton LLP, and the survey was supplemented by in-depth interviews with a range of U.S. business leaders, as well as Grant Thornton subject-matter professionals.
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